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WORLD NEWS

WTO set to miss deadline as global trade talks loom

The World Trade Organisation is likely to miss another deadline today in the tense contest to replace director general Renato Ruggiero. There are fears that the WTO may find itself rudderless as it prepares for a new round of global trade talks. **Page 12; Clinton 'failed' on China deal, Page 5**

Kevorkian given 10 to 25 years Jack Kevorkian, US euthanasia advocate who claims to have assisted in the deaths of more than 130 people since 1990, was sentenced to between 10 and 25 years in jail. **US, Page 4**

China's job losses stretch welfare China's welfare system is set to come under unprecedented pressure as state enterprises make another 7m workers redundant and a further 26m people expect pensions. **Page 12**

Gunmen seize airline passengers Colombian gunmen forced an internal flight to land at an clandestine airstrip and kidnapped the 41 passengers and five crew. **Americas, Page 4**

Anwar verdict to be given today Judgment is to be given today in Kuala Lumpur in the politically charged case of Anwar Ibrahim, the sacked Malaysian deputy prime minister. **Asia-Pacific, Page 6**

Swedish PM seeks to limit damage Swedish prime minister Göran Persson kept a low profile as he attempted to limit damage to his government caused by the sudden resignation of finance minister Erik Asbrink. **Europe, Page 3**

Finnish parties set for coalition Five Finnish political parties are to form a coalition government after more than three weeks of talks following an inconclusive general election. **Europe, Page 3**

Film groups seek to stem exodus Almost 200 local and regional US film commissions are joining forces to try to stop the flight of film-makers to cheaper, more accommodating locations abroad. **US, Page 4**

China admits to judicial errors China said 12,000 wrongful court judgments were reported last year and 7,000 judicial officials and law enforcement officers were prosecuted for bribery and abuse of power. **Asia-Pacific, Page 6**

Indonesia offers mediation Indonesia called for a ceasefire and offered to mediate in East Timor. **Asia-Pacific, Page 6**

Japanese look at battery recycling Japanese electronics producers are in talks with a UK technology company about recycling lithium-ion batteries, which are difficult to dispose of. **UK, Page 8**

Malaysia and Singapore join forces Malaysia and Singapore today begin joint defence exercises that represent a sharp change from last year, when it seemed they were aching to fight each other. **Asia-Pacific, Page 6**

Cycling incentive for scientists Leading scientists at a UK consultancy will be given salary rises if they use bicycles or buses to get to work. **UK, Page 8**

BUSINESS NEWS

Clariant and Laporte call off merger talks

Clariant of Switzerland and Laporte, the UK chemicals group, abruptly called off talks on a potential £2bn ($3.2bn) takeover hours after Laporte revealed it was in negotiations with a possible bidder. **Companies and markets, page 13; Lex, Page 12**

Grupo Ferrovial, Spanish construction company, is heading a consortium that has reached a C$3.1bn ($2bn) agreement with the government of Ontario to operate a pioneering electronic toll highway. **Companies and markets, page 13**

Vendex, Dutch retail group, may sell FAO Schwarz, the US toys chain it acquired last year, because it is unhappy with its performance and wants to focus on Europe. **International companies, Page 16**

Ericsson, Swedish telecommunication equipment maker, joined the rush into US internet technology companies with the $450m cash purchase of Torrent Networking Technologies. **Europe companies, Page 14**

Caja Madrid, Spain's second largest savings bank, has sold its 3 per cent stake in Telefónica for €1.3bn, leaving the dominant domestic telecommunications group short of a key reference shareholder. **Europe companies, Page 14**

Banque Nationale de Paris' chances of acquiring Paribas improved when the value of its all-share bid rose above that of a rival offer from Société Générale for the first time this month. **Europe companies, Page 14**

Vivendi, acquisitive French utilities and communications group, plans to float up to one-third of its newly enlarged environmental services business within five years. **Europe companies, Page 14**

Nestlé, the world's biggest consumer food company, could raise up to SFr750m by selling Findus, one of the world's best-known frozen food brands to EQT Scandinavia, a US-Swedish venture capital group. **Europe companies, Page 14**

Standard & Poor's, US rating agency, cut the corporate credit rating of Daewoo Corporation, mother company of South Korea's second largest conglomerate, by one notch to B- in a new blow to the group. **Asia-Pacific companies, Page 18**

Toyota, Japan's biggest automotive group, raised questions abouts its strategy with a top-level management reshuffle that saw Hiroshi Okuda replaced as president by Fujio Cho, executive vice-president. **Companies and markets, page 13**

Tesco, UK's largest supermarket group, reported stronger than expected trading. **Companies and markets, page 13**

Euro Prices
A comprehensive statistical guide to the euro currency zone, covering foreign exchange, bond and equity markets.
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REINFORCEMENTS WILL TAKE THE ALLIED AIR CAMPAIGN AGAINST MILOSEVIC 'TO THE NEXT LEVEL', SAYS CLINTON

Nato to step up air strikes on Yugoslavia

By Our International Staff

Nato indicated yesterday it was stepping up air strikes against Yugoslavia as its military commander requested hundreds more aircraft to take part in the three-week-old campaign.

General Wesley Clark said at a Brussels briefing the reinforcements he had asked for included 300 US aircraft, and Nato was also seeking contributions from other allies.

Javier Solana, Nato secretary-general, said in an interview that about half the additional aircraft would come from Europe, including the UK and France, although he would not specify the total.

The aircraft, which would bring the total to more than 1,000, are thought to be needed to sustain a higher level of strikes than so far achieved amid cloudy weather and resistance from Yugoslavia's air defences.

Robin Cook, UK foreign secretary, said compared with last week, three times as many allied aircraft were involved in operations on Monday. Some military analysts in Washington said the requirement had a political motive: to send a message to Slobodan Milosevic, Yugoslav president, that there was no chance that Nato would let up on the campaign.

The alliance continued to insist it had no plans to send a land invasion force into the Serbian province of Kosovo, despite mounting calls for this in the US. But congressional leaders said after a meeting with President Bill Clinton that he was not ruling out any options.

Senator John Kerry, Democrat from Massachusetts, said Mr Clinton did not believe ground troops were necessary at present. "But I also heard him say that he believes nothing is essentially off the table," he said.

Mr Clinton told reporters after the meeting that reinforcements would take the allied air campaign "to the next level". "Our campaign is diminishing and grinding down Mr Milosevic's military capability," he said.

Tony Blair, UK prime minister, announced Britain was sending an extra 1,800 troops to neighbouring Macedonia, with 14 Challenger tanks and six AS-90 howitzers. They will join 12,000 troops there as part of the peacekeeping force Nato plans to deploy after hostilities to secure the return of Kosovar Albanians.

Wesley Clark, Nato supreme commander, speaking at a news conference in Brussels yesterday. He expressed regret for casualties caused when a Nato pilot hit a train on a bridge in southern Serbia 'in an uncanny accident' Reuters

Nato hopes Russian troops will form part of that force. However, the US and Russia made scant progress on bridging their disagreement over Nato's air strikes at a four-hour meeting in Oslo between Madeleine Albright, US secretary of state, and Igor Ivanov, Russia's foreign minister.

The two agreed to continue seeking a political solution. "We have taken a step forward, but perhaps not as big a step as we hoped," Mr Ivanov said.

Belgrade signalled a willingness to drop its rejection of a foreign peacekeeping force in Kosovo so long as it did not include troops from countries taking part in Nato's air campaign. Vojska, a publication of the Yugoslav army, said Yugoslavia could "perhaps" accept troops from Russia, Ukraine and Nato-member Greece.

Deputy Yugoslav prime minister Vuk Draskovic, whose Serbian Renewal Party represents the more liberal wing of the ruling coalition, said a multinational force excluding Nato could be a basis for compromise.

Mrs Albright warned of serious consequences for Mr Milosevic if he widened the conflict, following reports, denied by Belgrade as a "heinous lie", of a Serbian incursion into Albania.

Mr Cook also said yesterday that Nato was getting repeated reports that young women had been separated from refugee columns while fleeing Kosovo and "forced to endure systematic rape" in an army camp at Djakovica, near the Albanian border.

Reporting by Alexander Nicoll in London, Neil Buckley in Brussels, Stefan Wagstyl in Tirana, Guy Dinmore in Belgrade and Stephen Fidler in Washington

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Prodi seeks support with federalist agenda

By Michael Smith in Strasbourg and James Blitz in Rome

Romano Prodi, former Italian premier, yesterday tried to rally the European Parliament behind his nomination as European Commission president, setting out an avowedly federalist agenda and dropping plans to run for parliament.

Mr Prodi said standing for parliament in the June elections, as he had intended, could create divisions.

"I am not here to divide, I am here to unite," he said, speaking at a full session of the European Parliament for the first time since his nomination as president of the European Union executive last month. EU governments backed Mr Prodi as commission president after the 20-strong commission resigned in the wake of accusations of mismanagement.

But he also needs the support of parliament, which was instrumental in pressing for the commission's resignation. Members of the parliament will question the president-designate more closely next month before voting on his nomination.

In his address yesterday Mr Prodi promised MEPs that he would lead the EU speedily into an age of reform and change and called for a single economy, a "political unity" and more co-operation on defence.

Most applauded his reform ideas and his decision not to stand for parliament. "You come with exceptional credentials as a good European and have demonstrated an ability to reform," said Pauline Green, socialist group leader.

Mr Prodi said he would push to end tensions with the US and would promote further liberalisation of world trade. The EU must be prepared to open its markets to developing countries, he said.

Calling for greater co-operation between EU countries, Mr Prodi said the single market was the theme of the 1980s and the single currency was the theme of the 1990s.

"We must now face the difficult task of moving towards a single economy and a political unity," he said.

Mr Prodi said the union must develop its own defence capability and "should start from now to rationalise the use of industrial resources and military infrastructure". Economic co-ordination should concentrate on tax and labour markets, he suggested.

Economic growth was insufficient to help reduce unemployment, the main fear among EU citizens, he said. A reformed commission had to expedite a revision of labour market rules by, for example, reducing barriers to entry.

Mr Prodi said the EU could not tolerate delaying reform of the EU's bureaucracy or policies. Delay "would put at risk our indispensable contribution to the very serious [issues] facing neighbouring countries".

Mr Prodi's decision not to stand as a candidate in the European elections will come as a severe blow to the new Italian centrist party, the "Democrats", which he set up this year.

Until recently, opinion polls suggested that the Democrats could get as much as 12 per cent of the vote at the European elections. But deprived of Mr Prodi's candidacy, the Democrats could get less than 5 per cent of the vote, neutralising the threat to Massimo D'Alema, the Italian premier, as leader of the country's centre left.

Inflation subdued as US sales rise

By Nancy Dunne in Washington

The US shopping spree continued in March as retail sales rose 0.2 per cent compared with the previous month, according to Commerce Department figures published yesterday.

Inflation remained under control as consumer prices advanced 0.2 per cent in March compared with February, with the impact of rising oil prices mitigated by falling food costs.

For the first quarter, retail sales rose at an annualised pace of 14.9 per cent.

Ian Shepherdson of High Frequency Economics, which gives daily data analyses, said that, excluding cars, consumer purchases in the first quarter rose at an annualised rate of 18.2 per cent – the best since the fourth quarter of 1980.

Mr Shepherdson forecast that the annual rate of consumption growth in the first quarter would exceed 6 per cent and GDP growth would be more than 3 per cent. "Slowdown? You kidding?" he concluded.

The commerce department revised the February retail sales gains up from 0.9 per cent to 1.7 per cent. January sales were revised up from 1 per cent to 1.3 per cent.

The slowdown in the rate of growth of retail sales in March, compared with the two previous months, was partly due to an anticipated drop in car sales, after several months of growth.

Also, purchases of building materials and home furnishings moderated. Grocery store sales slipped while the recent gains in petrol prices led to the sharpest rise in service station receipts since May 1996.

"Mild weather and the accelerated pace of federal tax refunds so far in early 1999 may be contributing to some of the strength in consumer spending," said Morgan Stanley Dean Witter in its economic data bulletin.

"But there is little doubt that the underlying fundamentals remain quite supportive as well."

The core annual rate of inflation – excluding energy and food prices – was 0.9 per cent in the first quarter, the smallest quarterly gain since 1964. The cost of goods fell 0.1 per cent in March, against February, and services' prices advanced by 0.3 per cent.

Financial markets reacted calmly to the reports, which fell within the range of Wall Street economists' forecasts.

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WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	10338.67	(-0.84)
NASDAQ Composite	2576.78	(-22.03)
Europe and Far East		
CAC40	4367.41	(+12.41)
DAX	5189.18	(+40.02)
FTSE 100	6513.1	(+71.9)
FTSE Eurotop 300	1306.15	(+16.52)
Nikkei	16,715.16	(+207.76)
US lunchtime RATES		
Federal Funds	4.825%	
3-mth Treas Bills: Yld	4.273%	
Long Bond	96 1/32	
Yield	5.485%	
OTHER RATES		
UK: 3-mo Interbank	5 3/16%	(5¼%)
UK: 10 yr Gilt	111.21	(111.18)
Euro Euribor	2.651	(2.661)
Germany: 10 yr Bund	99.45	(99.41)
Japan: 10 yr JGB	102.768	(102.718)
NORTH SEA OIL (Argus)		
Brent Dated	$15.01	(14.46)

GOLD		
New York: Comex	$284.1	(282.8)
London	$283.85	(283.55)
DOLLAR		
New York: Lunchtime		
£	1.6140	
€	0.9284	
SFr	1.4895	
Y	119.88	
London		
£	1.6167	(1.6149)
€	0.9267	(0.9219)
SFr	1.4861	(1.4779)
Y	120.165	(120.185)
Tokyo Close		Y 120.38
EURO (London)		
$	1.0791	(1.0847)
£	0.6674	(0.6717)
Y	129.698	(130.311)
SFr	1.6036	(1.6004)

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Euro-zone target price €2.15. Prices in local currency as shown

Bahrain	Din1.300	Iceland	IKr285	Oman	OR1.75
Belgium	BFr90(€2.23)	Italy	L3900(€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320(€1.60)
Croatia	Kn19.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	DKr18.00	Latvia	Ls1.65	South Africa	R16
Estonia	EKr34.00	Lithuania	Lt21.00	Spain	Pta325(€1.95)
Finland	FmK13.00(€2.19)	Lebanon	LBP3,500	Sweden	SKr20.00
France	FFr14.00(€2.13)	Luxembourg	LFr90(€2.23)	Switzerland	SFr3.50
Gibraltar	£0.85	Morocco	Dh18.00	Syria	S£80.00
Greece	Dr500	Netherlands	Fl 4.80(€2.18)	Tunisia	Din2.000
Hungary	Ft380	Norway	NKr19.00	UAE	Dh13.00

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EUROPE

KOSOVO CRISIS AIR CAMPAIGN CONTINUES TO PILE ON PRESSURE ■ WARNING OVER EFFECTS ON ALBANIA ■ ITALY REAFFIRMS SUPPORT FOR NATO ACTION ■ UK TO SEND FURTHER 1,800 TROOPS

Nato's 'gradual' military strategy questioned

By Alexander Nicoll and Stephen Fidler

"The air campaign is working" has been a constant mantra from Nato briefers since strikes on Yugoslavia began three weeks ago.

Yet the military force assembled by the alliance is expanding by the day. Nearly 100 more aircraft were ordered to the region over the weekend. General Wesley Clark, the Nato supreme commander, has requested hundreds more of which 300 would come from the US – potentially bringing the total deployed to more than 1,000.

Did Nato misjudge the punch it would need to deliver a devastating blow to Slobodan Milosevic, the Yugoslav president, or are the reinforcements simply part of the evolution of the campaign?

Some analysts in Washington saw the latest request as implicit recognition the gradual build-up of the campaign had been a mistake. Lawrence Korb, director of studies at the Council of Foreign Relations in New York, said: "It's very clear that the start of the campaign didn't resemble the first night in Baghdad."

Gen Clark yesterday sought to explain the build-up by saying Nato had not sought conflict with Yugoslavia, but had hoped Mr Milosevic would negotiate a settlement.

Once conflict began Nato said it would progressively intensify, and this was "very much on track as we imagined it would be".

Ken Bacon, Pentagon spokesman, said at the weekend: "Any air campaign has to begin at a starting point and that starting point is to attack the air defence system that challenges or threatens the allied planes. That's what we've done. Then we've moved out."

Yugoslav air defences have been severely affected, and are likely to have lost integration between radar data and target setting which would aid the accuracy of surface-to-air missiles.

A military analyst in Washington said this had affected the capabilities of advanced SA-6 batteries, but the less advanced SA-3 fixed systems and SA-7 hand-held could still pose problems to aircraft flying at lower altitudes.

A map shown by Gen Clark at a Brussels briefing showed most air defence sites hit had suffered damage classified as moderate rather than severe or being deemed destroyed. Video clips from US aircraft show missiles being fired at them as well as plentiful anti-aircraft fire.

One indication there is still a job to be done in this regard is that 24 US F-16CJ aircraft deployed at the weekend are armed with HARM missiles specifically designed for suppression of air defences.

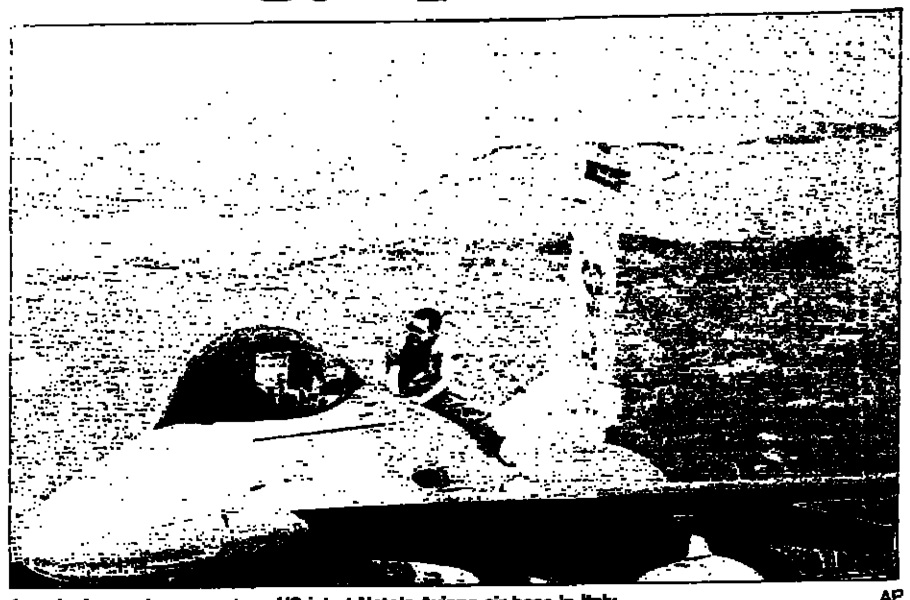
Nevertheless, Nato clearly feels it can now range much more freely in the skies above Kosovo and wants to take advantage of that by keeping as many aircraft in the air as possible round the clock to attack Serbian army and special police units whenever they break cover.

Military analysts said as Nato's campaign evolved to strike more mobile targets on the ground, more low-level air missions were needed. This would also require aircraft to "loiter" over the Adriatic so they could be called in at short notice.

Gen Clark said there was a much higher ratio of support to strike aircraft than in previous campaigns. Out of 5,924 sorties flown up to yesterday afternoon, only 1,687 had been intended to strike. Some 2,000 sorties have been by air-to-air refuelling tankers.

In addition, air combat patrols to protect all the other aircraft are being flown in half a dozen different areas, and there are also a large number of flights by surveillance aircraft, providing intelligence about enemy movements.

Fewer strike aircraft are needed proportionately because many of them are using weapons guided by laser or global positioning system (GPS). According to the Pentagon, precision-guided weapons make up almost 100 per cent of those dropped by US aircraft compared with 9 per cent in the Gulf War.



An avionics engineer repairs a US jet at Nato's Aviano air base in Italy AP

Briefing officers have indicated that the intelligence available to pilots about targets has improved.

Because of the desire to avoid civilian casualties, many bombing raids have been aborted because cloud or smoke obscured the targets – according to Gen Clark, more than 50 per cent on each of 10 days.

But General Sir Charles Guthrie, UK chief of defence staff, said British Harrier jets had for the first time dropped bombs through cloud. "We are now satisfied that the degree of target information and accuracy of such attacks allows us confidently to carry them out whilst minimising the risk of collateral damage."

A new dimension to the air campaign will be provided by 24 Apache tank-busting helicopters now being flown into Albania. These will be able to make deadly sorties over the border to attack Serb forces, and are likely to discourage excursions such as that reported yesterday over the Albanian border at Kamenica.

However, not all analysts believe Nato's build-up strategy is convincing.

Mr Korb said the decision to begin the campaign by tackling air defence targets rather than the riskier military targets in Kosovo allowed the Serb military to achieve its objectives in Kosovo.

"We were more concerned with protecting the military members of Nato than we were with saving lives of the people of Kosovo," he said.

Michael O'Hanlon of the *Brookings Institution* in Washington said: "The limitations of the air campaign have been apparent from the beginning and filling the skies with more airplanes doesn't necessarily solve any of these problems."

UK gives low-key backing for more troops

By Robert Peston, Political Editor

The announcement by the UK prime minister yesterday that Britain is sending a further 1,800 troops to Greece and Macedonia received an ambivalent response in the lower house of parliament.

Unlike Britain's other military ventures of recent years, opposition to the war crosses party boundaries. Tony Blair, the prime minister, once again insisted that Nato was engaged in a humanitarian mission to protect the persecuted Albanians of Kosovo.

"The conflict we now face in Kosovo is a test of our resolve to ensure that the 21st century does not begin with a continuing reminder in Europe of the worst aspects of the century now drawing to a close," he said.

He continued to balk at the suggestion that the air attacks should be augmented by an offensive involving the use of ground troops, because the "potential loss of life among our service men and women would be considerable".

Troop reinforcements were being sent simply so the UK could play its "proper role in the international effort to ensure the refugees are able to return to Kosovo in safety".

But they would only be deployed in Kosovo once Yugoslavia had capitulated and had agreed to Nato's conditions for the return of the refugees.

He received low-key support from prominent Conservative and Liberal Democrat members, as neither party wishes to be seen as unpatriotic when UK military personnel are risking their lives.

William Hague, Conservative party leader, said his backing depended on "government assurances about the military situation and what could be achieved".

Meanwhile, Paddy Ashdown, Liberal Democrat leader, continued to press Mr Blair to consider the use of land forces.

By contrast, more junior members of parliament from both the Conservative and Labour parties have been explicitly distancing themselves from the government over Kosovo.

Alan Clark, a former Conservative party defence minister, summed up the views of the traditional Conservative right by saying it was wrong to bomb the Serbs when they had "never injured or threatened a British citizen".

Labour's leftwing MPs were blunter still. One of them, Alice Mahon, accused the western alliance of committing "straightforward murder".

AID EFFORT CALL FOR CO-OPERATION WITH GOVERNMENT

Concern over future stability of Albania

By Stefan Wagstyl in Tirana

Nato and international aid agencies operating in Albania must work with the government to avoid destabilising the country politically and economically, a senior official of the Organisation for Security and Cooperation in Europe warned yesterday.

"We have to be careful to see that we don't overwhelm Albania," said Daan Everts, OSCE mission chief in Tirana.

"We must not lose sight of Albania's long-term requirements even when we are dealing with the enormous crisis that is going on."

Mr Everts, who has been in Tirana for two years, said Albania was a fragile state with weak state institutions in all areas of government. The country collapsed into chaos two years ago and was hit by civil order again last year.

Mr Everts urged international organisations to work closely with Albanian bodies to avoid undermining the country's institutions.

"My concern is that we should not have a state within a state – a relief agency state working independently of the Albanian government."

Mr Everts' comments follow Albanian government decisions to cede control of Tirana's international airport, its ports and other facilities to Nato.

About 8,000 Nato troops are being posted to Albania to support relief work for 300,000 refugees who have fled Kosovo and are being housed in camps and in private homes.

Mr Everts added that Nato was aware of the dangers of its impact on Albania and was working well with the government and with the United Nations High Commissioner for Refugees, the UN agency co-ordinating relief work.

The crisis could yet bring some benefit to Albania if Nato and the relief agencies carried out works such as improving roads and water supplies.

He urged agencies to source as much as possible of their purchasing locally. "This would be very good for Albanian farmers."

The crisis is already affecting Albania's economic development. While the relief effort has injected new demand into the economy, normal commercial activities are being disrupted, mainly because of business people's adverse reaction to the crisis.

The ministry of trade says imports are already falling as companies reduce stocks.

It estimates that imports for the first six months of 1999 could decline by 20 per cent.

Foreign bankers in Tirana say privatisation plans seem certain to be delayed –including proposed sales of stakes in the state-owned National Commercial Bank, Albtelecom, the telecommunications monopoly, and Albanian Mobile Communications, the mobile telephone company.

The Albanian currency has remained broadly stable on the foreign exchange market. But the lek's value is a misleading indicator of economic stability because of the large amount of foreign currency in Albania, with an estimated $1bn in cash in circulation.

Giancarlo Rizzola, managing director of Banca Italo Albanese, a joint venture Italian-Albanian bank in which Banca di Roma is the Italian partner, said yesterday that banks were working hard to bring enough foreign currency cash into the economy to meet local demand.

The money was either being hoarded or taken out of Albania in cash.

Italy 'loyal to operation'

Despite initial concerns, prime minister has so far avoided political upheaval over his country's support for Nato and its military strategy in Yugoslavia, writes **James Blitz**

Massimo D'Alema, Italy's prime minister, yesterday reaffirmed his government's support for Nato's action in Yugoslavia, saying his country remained "loyal to the military operation" and was "doing its duty".

In an important sign of how the Nato alliance is remaining compact as events develop in Yugoslavia, Mr D'Alema told the Italian parliament that "military engagement" was a cornerstone of his government's policy in the crisis. "We don't have any reason to beat our breasts this time and utter the mantra that Italy is doing less than it should," he told parliament at the start of a debate on the Kosovo crisis. "We are playing our part in all seriousness."

Italy's centre-government has so far avoided political upheaval over its support for Operation Allied Force.

When Nato began the action three weeks ago, there was widespread concern that Italy (often swayed in the past by the pacifist traditions of powerful Catholic and Communist movements) would withdraw support for a US-led military operation being launched from its territory on a neighbouring country. Mr D'Alema compounded fears with a gaffe at the outset of the operation that Nato should move swiftly to a peace agreement with President Slobodan Milosevic.

Since then, the mood in Rome has changed. The prime minister, though an ex-communist, quickly threw his weight behind the Nato operation, in which Italian aircraft are giving logistical support but not taking direct part in the bombardment. "The wobble that we were expecting from D'Alema hasn't yet materialised," said one European diplomat in Rome yesterday.

'Wobble we were expecting from D'Alema hasn't yet materialised'

The experience of recent days has not, admittedly, been easy for the premier. Some of his far left supporters, particularly the Communists, are broadly opposed to Nato's action and have threatened to withdraw support for his ruling coalition.

Mr D'Alema has also taken a somewhat firmer stance towards Serbia than his foreign minister, Lamberto Dini, whose department is sometimes seen as "pro-Serb". Last week, Mr Dini said: "We don't want to see the bombings go on for much longer." He openly questioned whether the Serbs had been treated fairly in the Rambouillet negotiations that preceded the crisis. Nevertheless, senior government officials insist the Italian government's support for the Nato operation is secure.

First, the flood of Kosovar refugees has roused the emotions of the Italian public. In the first week of the war, support for the Nato operation soared from 25 per cent to 37 per cent in the polls. Rome has seen demonstrations by pacifist groups but these have been modest by the standards of, say, the 1991 Gulf War. "It would be hard to imagine the Communists going against the grain of public opinion and creating difficulties two months before European elections," said a senior government official.

Moreover, Mr D'Alema and Mr Dini, far from disagreeing over the approach to Serbia, have agreed what one adviser to the prime minister calls "a neat division of labour".

Mr D'Alema is keen to shake off his communist image with Italy's main European allies. The Kosovo crisis is an important opportunity to stress his reliability on the international stage, so his support has been unwavering.

Mr Dini, however, spent much of his early career in the US and has long been perceived in Washington as an important ally. He therefore has more diplomatic room than the ex-communist premier to keep open channels with Belgrade. "By doing so, he can soothe the concerns of the Communists in the coalition," says Antonio Missiroli, a leading foreign affairs analyst. Others say he may also want to raise his standing inside Italy ahead of the forthcoming election for a new president of the republic.

Whether this delicate double-act can be sustained for much longer remains to be seen. "The despatch of ground troops to Kosovo could trigger a shift in the political picture," says a senior government official. "You would see the withdrawal of communists from the government and new fears about a political crisis."

Such a prospect means that the Italian prime minister has better reasons than most other western leaders to want to avert an escalation of the conflict. But for now, Mr D'Alema is having a better war than he might have expected.

Çiller on charm offensive before poll

By Leyla Boulton in Ankara

"The biggest misfortune to befall the Turkish republic since it was founded 75 years ago" is how Tansu Çiller is described by one of her many critics.

Turkey's first woman prime minister is detested by the Turkish elite as an opportunist who forged a coalition with Islamists until they were forced out of office two years ago by the powerful military.

But the former economics professor is hoping to do well in general and local elections on Sunday by projecting herself as the champion of the poor and oppressed.

Feared by well educated Turks for her chameleon-like ability to be all things to all voters, the 52-year-old could yet emerge as the dark horse in a race obscured by a ban on opinion polls.

Unofficial surveys which suggest her centre-right True Path party will slip to fourth from third position in parliament must be taken with a pinch of salt given that no pollster predicted that the Islamist Welfare party would sweep the largest number of votes in the last elections in 1995.

A better than expected result for Ms Çiller could upset financial markets' hopes for a strong two-party coalition led by Bülent Ecevit, the caretaker prime minister and Mesut Yilmaz, the former premier toppled by corruption allegations in November. Mr Ecevit's centre-left Democratic Left party and Mr Yilmaz's pro-business centre-right Motherland are seen as the best hope of continuing badly-needed economic reforms.

Ms Çiller on the other hand is distrusted by the military and large sections of the middle-classes after forming a government with Welfare in spite of promising she would not. The Islamists were forced to step down on suspicions they were trying to move Turkey towards Islamic law and away from its secularist heritage.

Ms Çiller is also widely blamed for aggravating Turkey's home-grown financial crisis in 1994 through mismanagement and was instrumental in dragging out the formation of a caretaker government last winter.

Ms Çiller catapulted herself on to the front pages a week before the election by attacking Aydin Dogan, a media magnate. After one of his newspapers reported on Friday that her party could be closed because she had exploited religious themes – a crime under the Turkish constitution – at an election rally, Ms Çiller vowed to do away with the country's "media cartel". In a display of typical Çiller *chutzpah*, a television station understood to be controlled by her associates aired an election broadcast vowing to end "cheque book journalism" which it said was behind attacks on her. Ms Çiller has sought to poach votes from the Virtue party, which replaced Welfare after it was closed in 1997, by describing herself as the "guarantor of Islam" and having her picture taken in a headscarf – Islamic headgear banned in universities and state offices. Looking for liberal support, she has called for democratic reforms and made unusually bold attacks on the military for playing a role in politics.

Çiller: projecting herself as champion of the poor

And in courting the nationalist vote, she accused Mr Ecevit of forgoing Turkey's right to stop a Russian ship bound for intelligence-gathering on the Kosovo conflict (conveniently forgetting that Turkey is prohibited by international treaty from closing the Bosphorus waterway to military vessels in peacetime).

● Turkish authorities yesterday banned for "security reasons" a rally by Hadep, the largest pro-Kurdish party, in Diyarbakir, the main city in the Kurdish-dominated south-east, and arrested 300 supporters, Anatolia news agency said.

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PRIVATE FINANCE DRIVE UK TREASURY TASK FORCE IS MODEL

Deutsche Bank to join Italian public projects

By Nicholas Timmins, Public Policy Editor

Deutsche Bank has teamed up with Banco di Napoli to take advantage of the Italian government's declared commitment to using private finance for public infrastructure projects such as roads, bridges, port development and water development.

The government is setting up a private finance unit inside the Italian Treasury, modelled closely on the UK Treasury's PFI task force, at a time when the EU Commission is encouraging public/private partnerships.

Geoffrey Spence, head of project finance for Europe, Middle East and Africa at Deutsche Bank, said yesterday that the Italian government estimates that €63bn ($68.4bn) of infrastructure work is needed in southern Italy over the next 10 years.

"The concern is that unless they get the infrastructure in place in southern Italy, it won't grow, and the existing divide between the north and south will just widen," he said.

The agreement to work jointly brings Deutsche Bank's worldwide project finance expertise, and its detailed knowledge of the private finance initiative in the UK, into partnership with the local knowledge of Banco di Napoli, the dominant bank in the south of Italy.

The two aim to work with both the public and private sectors to provide advisory services, credit facilities and access to European capital markets.

Local and regional authorities are being asked to prepare a rolling programme of infrastructure projects, much of which is likely to have to be financed privately.

Frederico Pepe, managing director of Banco di Napoli, said that public spending restrictions meant that "the old way of developing public infrastructure with 100 per cent public funds is no longer feasible.

"The approach of the past is over. We need to take up the project finance approach."

Both banks acknowledge that they face an uphill task educating local authorities in the use and techniques of private finance.

"We have to fight a cultural battle to explain this," Prof Pepe said, while Mr Spence added: "It will take some time before we see the real fruits of this approach".

Private finance initiatives include infrastructure projects that can be privately owned and run, sometimes with the injection of public money.

With €10bn of water projects alone needed in southern Italy over the next three years, and a private partnership programme (PPP) set to start up, subject only to final parliamentary approval, Mr Spence said: "There is a lot of potential development suitable for PPPs".

He stressed that the agreement was limited to project finance and said nothing about any further possible involvement by Deutsche Bank in the restructuring of the Italian banking sector.

UK gives low-key backing for more troops

RESIGNATION FALLOUT NEW FINANCE MINISTER IN JOBS PLEDGE

Swedish PM tries to ride out storm

By Nicholas George in Stockholm

Göran Persson, the Swedish prime minister, kept a low profile yesterday as he attempted to limit damage to his government caused by the sudden resignation on Monday of Erik Asbrink, finance minister.

"The job must be done and we will battle on," Mr Persson said as he entered a closed meeting with members of the Social Democratic parliamentary group to discuss the budget, which will be announced today.

Mr Persson came under attack from the media and the opposition over his leadership style, which has been characterised as authoritarian and is seen as the cause of many of the government's problems.

However, opposition calls for a new election had little support.

Senior colleagues remained publicly supportive and a telephone survey of SDP organisations throughout the country showed he appeared to retain members' confidence as leader.

On his first day at work, the new finance minister, Bosse Ringholm, stressed continuity with his predecessor but added that with his background as head of the National Labour Board it was only natural he would stress the need for growth and jobs.

"I hope to prioritise jobs and employment at the same time that I realise that the precondition for new jobs and employment is that there is a stable economy, that we meet our budget goals and have low inflation and interest rates," Mr Ringholm said.

He said after the difficult years of austerity, when the government had to restore order in public finances, he looked forward to "growth with justice".

Mr Ringholm would not be drawn on the issue of Swedish membership of European economic and monetary union, saying he was undecided on the matter and would wait until the party had discussed it fully before making up his mind.

"Mr Ringholm is best described as a loyal co-worker. If Mr Persson had wanted an independent finance minister he would have appointed someone else," said Peter Lindquist, HSBC economist.

He said that although Mr Ringholm emphasised jobs, this was unlikely to endanger the policies of fiscal consolidation that have broad support in the government and the SDP.

The budget is expected to show the country's public finances in a strong position but to be characterised by Mr Ringholm's predecessor's caution towards tax cuts. There are also expected to be some details of plans for lower income tax at the cost of higher energy taxes.

In the corporate sector there is expected to be proposals that will allow companies to buy their own shares and a move to allow company accounts to be reported in euros.

Italian failures cited in Mont Blanc report

By Robert Graham in Paris

French experts yesterday blamed Italian failures for exacerbating last month's disastrous fire in the jointly run road tunnel under Mont Blanc in which at least 41 people are known to have died.

A preliminary official report, carried out at the request of the French transport and interior ministries, said yesterday that Italian efforts to activate a system of smoke extraction inexplicably failed when a Belgian lorry caught fire near the middle of the 11.6km tunnel linking France and Italy. Instead of setting off an automatic smoke extraction system, more air was pumped through vents in the tunnel, so fanning the flames, according to Michel Marec, one of the report's authors.

The Italian operators were also taken to task for apparently failing to have at their tunnel entrance any effective equipment to combat fire before the fire brigade arrived from the nearby town of Courmayeur.

But the report also laid bare the poor coordination between the French and Italians over the tunnel's security.

It detailed a long list of incompatibilities and showed the disaster was an accident waiting to happen in the ageing 35-year-old single gallery tunnel, which was handling too much traffic with insufficient fire prevention investment. In this, the report said the French had as much to answer as their Italian colleagues. Only two joint safety exercises had been held in 25 years and neither had approved proper testing of procedures inside the tunnel.

Yesterday, Pierre Duffé, a senior civil servant who headed the investigation, spoke of Italy and France both being "reticent" over safety because of the commercial consequences of closing the tunnel.

A Franco-Italian inter-governmental commission responsible for monitoring tunnel operations met only once a year, and contained no person with specific competence in security matters, even though half all Franco-Italian trans-alpine lorry freight went through the tunnel.

Matters were further complicated by operational responsibility being split in the middle of the tunnel, while the French frontier covered 7.6km of the tunnel.

Despite safety upgrading, the report noted that neither side had installed sufficiently powerful smoke extraction systems and the tunnel remained too narrow and without any alternate system of evacuation.

The report noted 12 previous fires involving trucks, the most serious in 1990; but all were quickly brought under control. In four cases, the fires had been caused by engines overheating due to pulling heavy loads up a steep gradient to reach the tunnel, which is over 1,200ft above sea level.

The death toll in the March 24 fire could reach as high as 45. The tragedy began just after 10.45am, when a Belgian articulated Volvo truck carrying margarine and flour to Italy was abandoned on fire in the central section of the tunnel.

The report said it was not clear whether the lorry caught fire inside the tunnel or already had an unnoticed fire on board. Investigators said yesterday they were questioning Volvo, the Swedish truck group, to check any potential cause in the motor and electronics of the vehicle.

Volvo said it was co-operating with French police and accident inquiry experts into the cause of the fire. Of the 113,000 FH trucks produced by Volvo, fires have been reported on 15 vehicles.

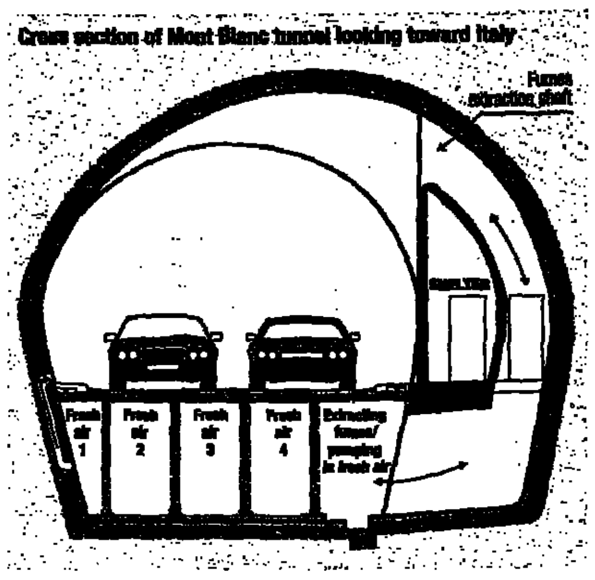
The company said it had no reason to suspect any common system fault on the truck. It added that all previous incidents were caused by unrelated problems, such as hauliers overloading electrical circuits or failing to maintain trucks properly.

The fire was detected almost simultaneously by French and Italian controllers but at least 24 trucks and nine light vehicles were trapped in the blaze of temperatures close to 1,000 degrees. Fire fighters from Chamonix and Courmayeur in Italy arrived within 20 minutes but air blowing from the Italian side combined with intense heat and smoke made fighting the fire impossible.

In these conditions, the Italian error of pumping in more air through the ventilation ducts instead of opening the fume extractors is believed to have played a part.

Additional reporting by Tim Burt in Stockholm

Cross section of Mont Blanc tunnel looking toward Italy



NEWS DIGEST

LIPPONEN REMAINS PRIME MINISTER

Finnish parties agree to form new coalition

Five political parties in Finland yesterday agreed to form a new coalition government after more than three weeks of talks aimed at securing a common policy programme. The talks, initiated after inconclusive results in a general election last month, centred on fiscal policies, employment and welfare provision.

Party negotiators from the Social Democrat and Conservative parties – the two largest parliamentary groups in the so-called rainbow coalition – also agreed on a new allocation of ministerial portfolios with their partners from the leftist Alliance, Green and Swedish Peoples parties.

Under the multi-party deal, Paavo Lipponen, leader of the Social Democratic party, will continue as prime minister, while his Conservative party counterpart, Sauli Niinistö, is to remain finance minister. **Tim Burt, Stockholm**

FINANCE MINISTRY

New German appointments

Caio Koch-Weser, who has spent the last 26 years rising steadily through the ranks of the World Bank in Washington, has been appointed to the top international job in the German finance ministry. Mr Koch-Weser, one of the Bank's managing directors, will replace Heiner Flassbeck, the controversial Keynesian economist, as secretary of state for international affairs. A German and Brazilian national, he has had experience working with numerous governments across the world since joining the Bank as a "young professional" in 1973.

Hans Eichel, the incoming finance minister, has also appointed Heribert Zitzelsberger, head of the tax department at chemical company Bayer, as his deputy responsible for tax affairs. **Robert Chote, Economics Editor**

SINGLE CURRENCY

Brussels firm on euro deadline

The European Commission yesterday advised against any shortening of the three-year transitional period between the launch of the euro last January and the planned introduction of bank notes and coins for the single currency on January 1 2002.

Responding to a Belgian government proposal to cut the transitional period, the Commission warned that "a reduction in the three-year transitional period could give rise to technical problems of such severity as to jeopardise the smooth transition to the euro".

The Commission said the time needed to produce euro coins and notes, the changes required for information technology systems, the complexity of converting public administrations to the single currency and the legal risks of possible claims against any decisions to shorten the three years were important obstacles to change. In addition, it stressed that a large part of the success of the euro to date lay in respecting deadlines. **Peter Norman, Brussels**

EUROPEAN TRANSPARENCY

Inquiry into public access

The independent European ombudsman has contacted the European Central Bank and two other recently created European Union institutions to establish whether they have adopted and publicised rules on public access to their documents.

Jacob Söderman, the ombudsman appointed by the European Parliament to investigate possible cases of mal-administration, launched the inquiries in the interests of promoting transparency, "good administrative behaviour" and good relations between Europe's citizens and the bodies concerned. He gave the ECB, together with the European Agency for Safety and Health at Work in Bilbao, Spain, and the Community Plant Variety Office in Angers, France, three months in which to respond. **Peter Norman**

ROUBLE DEVALUATION EFFECT

Russian output up 2.5%

The Russian economy showed a modest improvement in February as a result of the devaluation of the rouble during the financial crisis last August. Industrial output grew by 2.5 per cent over the previous month and there was a modest rise in domestic investment, reflecting both strengthened exports by Russian companies and import substitution for cheaper locally produced goods.

The Russian European Centre for Economic Policy, the Moscow-based organisation that analysed the data based on official statistics, warned domestic demand remained depressed and structural economic reforms were needed if growth were to be sustained. **Andrew Jack, Moscow**

Bank to joi... blic project

US ELECTION FUNDING A RECORD LOW OF ABOUT 12 PER CENT OF TAX FILERS CHECKED OFF THE PUBLIC DONATION BOX ON THEIR TAX FORMS IN 1998

Americans start to shun campaign donations

By Deborah McGregor in Washington

As millions of Americans scramble to meet tomorrow's tax filing deadline, federal election officials are hoping people will do one small task: put a check mark in the small box on the tax form to send $3 to the presidential campaign fund that serves as the main pot of public money for election spending.

It is a part of the annual tax-time ritual that has fallen off the priority list for an increasing number of tax filers in recent years, giving rise to concerns that there will not be enough money to go around next year when primary candidates from both parties try to collect the public matching funds to which they are entitled.

A record low of about 12 per cent of tax filers – fewer than 15m – checked off the public donation box in 1998. That was down dramatically from twenty-five years ago when the check-off was first introduced, drawing one in four tax filers to donate.

The decline is attributed to a growing sense of citizens' alienation from the political process. "In recent years, people's anger at the government and disillusionment with politics generally have led them to see this as simply throwing money at the politicians and they don't want to do it any more," said Ed Davis, a campaign finance analyst with Common Cause, a citizens' group that lobbies for accountability in government.

The money raised through the check-off is used for several purposes. It provides funding for the parties' nominating conventions. Republicans will hold their convention in Philadelphia next summer, while Democrats have chosen Los Angeles.

The public funds are also used to pay for the expenses of the general election, although not for any individual campaigns, which still rely on the traditional fund-raising techniques that have drawn much criticism in recent election cycles but which no one has mustered enough support to change.

The main impact of the financing shortfall will be felt in the matching funds for primary candidates. Candidates can qualify for matching funds by raising at least $5,000 in each of 20 states. Only contributions from individuals are matchable at a rate of $250 per donation.

Officials at the Federal Election Commission suggested that it is unclear just how much of a shortfall will eventually emerge, but it is likely to result in a much lower payout to primary candidates starting next January.

Ironically, the tax form check-off was originally established in the post-Watergate era as a way to clean up the perceived abuses in campaign finance practices and relieve the reliance on large corporate donations in the US system.

It was felt that individual contributions would be one way to offset the dominance of big business and big government in politics. Instead, many individuals seem to be turning away from contributing to a campaign system they see as increasingly corrupt and awash in special interest cash.

Neighbours raise their barricades as Colombian factions export violence

Some observers feel the danger is being overplayed by regional leaders keen to make political capital, **FT writers** report

The dense rain forests which carpet Colombia's border with Panama provide the perfect cover for the extensive movement of drugs, weapons and the activities of Colombia's warring armed factions.

The Darien Gap – as the area is known – appears to be turning into the centre of border friction between war-torn Colombia and its peaceful northern neighbour. Last week Ernesto Pérez Balladares, president of Panama, said he would send police units to the border area. But Colombian violence is not just spilling over into Panama.

Since the beginning of March three other neighbours – Ecuador, Peru and Venezuela – have beefed up their military presence to protect their frontiers with Colombia.

Early last month Ecuadorean soldiers were sent to protect oil installations near the border area, while Venezuela now has 30,000 troops deployed along its 2,219km frontier with Colombia. The Peruvian government has sent troops to the border, set up new border control posts and reinforced its airforce in the Amazonian town of Iquitos.

Underpinning these developments has been a steady increase in guerrilla fighting in Colombia, especially in thinly populated and poorly policed border regions. In spite of the renewal of peace talks with leaders of the Revolutionary Forces of Colombia (Farc) and representatives of President Andrés Pastrana's government, few observers hold out any hope of a quick settlement to the conflict.

Both Farc, the biggest of several leftwing guerrilla groups, and rightwing paramilitary forces frequently pay scant attention to national borders. Guerrillas of Farc, now stronger than at any time in its 35-year history with 12,000-15,000 members, flee to sanctuaries across the border in Ecuador and Panama. In Panama they have been pursued by paramilitary units.

Farc has conducted its extortion and kidnapping rackets in the Venezuelan border states of Tachira, Apure, Barinas and Zulia. "We pay the guerrillas more than we do in taxes," said one Venezuelan businessman.

During a recent visit to the border town of Guasdualito in Apure state, Hugo Chavez, Venezuela's president, threatened to retaliate against Colombian guerrillas if they "act in our territory".

Some observers, including General Charles Wilhelm, commander of the US Army's Florida-based Southern Command, have argued that these conflicts could threaten regional stability. However, others suggest that the dangers are being overplayed and that regional leaders could be using the incidents for their own political purposes.

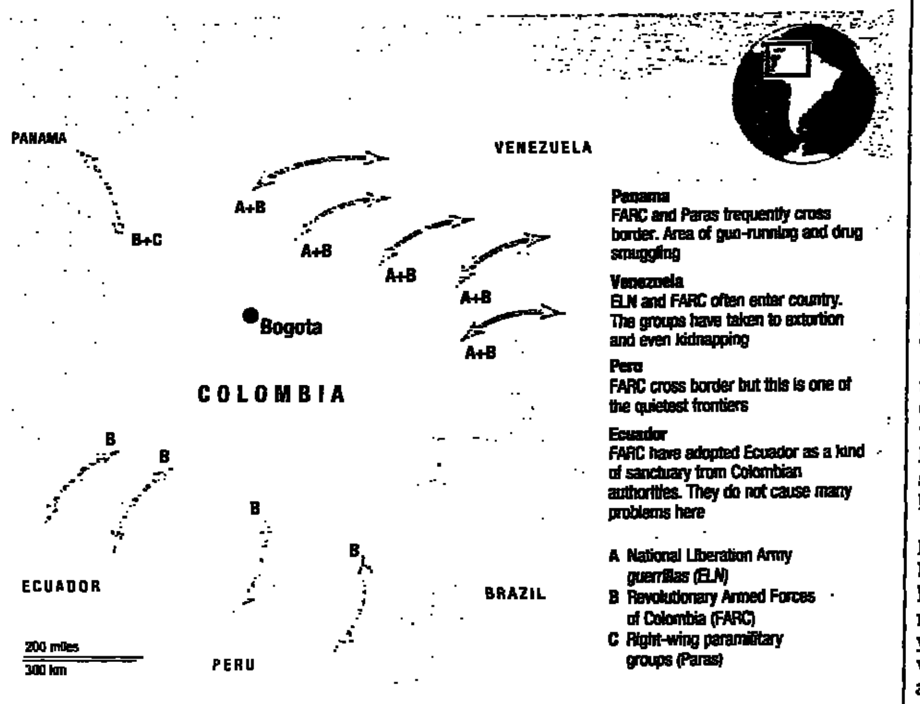
Alberto Fujimori, president of Peru, whose successful elimination of the Shining Path guerrillas won him fame as a hardliner, has been the most vociferous regional head of state to draw attention to border problems. But there has been no significant incident in the border area between the two countries for several years.

Analysts say Mr Fujimori is keen to create a new focus for nationalist sentiment ahead of next year's presidential elections, and following a settlement of Peru's long-running border dispute with Ecuador last year.

"The high-profile way Fujimori deployed troops to the Colombian border definitely suggests that he is trying to drum something up with all of this issue," said Adam Isaacson of the Centre for International Policy, a Washington-based non-governmental organisation.

Some analysts say that the border incidents arising from Colombia's armed conflict are now less severe than they were in the past. "When the situation was worse there was less reaction. Now that the situation has died down everyone is up in arms," said Alfredo Rangel, of the Bogota-based NGO Fundación Social. "Neither Farc nor the paramilitary groups have any desire to export the conflict."

Reports from Adam Thomson in Bogotá, Sally Bowen in Lima and Raymond Colitt in Caracas.



Kidnap wave grows as passengers seized

By Adam Thomson in Bogotá

Uniformed Colombian gunmen have kidnapped the passengers of a commercial flight in what appears to be an alarming escalation of action by the country's leftwing guerrillas.

The 41 passengers and five crew members of a domestic flight bound for the capital, Bogotá, were reported missing on Monday minutes after the 52-seater Fokker aircraft took off from the city of Bucaramanga.

Later that afternoon witnesses saw an armed group forcing the civilians off the aircraft, which had landed safely on a clandestine runway in the north of the country.

Business leaders on Monday night fiercely condemned the kidnapping. The largest rebel group, the Revolutionary Armed Forces of Colombia (Farc), raises approximately 60 per cent of its multi-million dollar income through abduction.

This has helped Colombia become the world's leader in kidnappings, with more than 2,000 last year alone.

Rebels typically set up impromptu roadblocks and kidnap up to 40 people at a time in the hope that one or several of the victims are rich or important enough to pay a handsome release fee.

But the application of the "lucky dip" strategy to air travel would threaten a method of transport thus far considered immune to guerrilla activity.

The incident comes just a week before Farc is due to renew talks with President Andrés Pastrana's government.

Kevorkian sentenced to at least 10 years

By Nikki Tait and Elaine Szewczyk in Chicago

Jack Kevorkian, the prominent US euthanasia advocate who claims to have assisted in the deaths of more than 130 people since 1990, was yesterday sentenced to between 10 and 25 years in jail.

Yesterday's sentence requires that at least 10 years be served.

Judge Jessica Cooper's sentence, handed down in a Michigan courtroom, followed a jury verdict last month which found the retired pathologist guilty of second degree murder in the death of Thomas Youk, a sufferer of Lou Gehrig's disease.

The jury had also found Dr Kevorkian guilty of unlawfully administering a controlled substance when he injected Mr Youk with lethal drugs.

"You invited yourself to the wrong forum," Judge Cooper told Dr Kevorkian. "We are a nation of laws ... you must always stay within the limits of the law."

Judge Cooper said Dr Kevorkian had been out on bond to another judge when he injected Mr Youk; had not been licensed for eight years; and had deliberately videotaped Mr Youk's death and released the film to a TV network in an effort to force the courts to decide on the euthanasia issue.

When first charged with murder, the 70-year-old, who has had numerous brushes with the law and survived several trials on assisted suicide charges without being jailed, suggested he would starve himself to death if incarcerated, though he has backed away from this.

Dr Kevorkian acted as his own lawyer during the trial, a decision which led to courtroom confusion and appeared to hamper legal presentation of his case, but handed responsibility back to his legal advisers once the jury considered its verdict.

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Kevorkian sentenced to at least 10 years

WORLD TRADE

INTERNET ACCESS IN CHINA NEW SYSTEM WILL COST LESS THAN PCs AND ALLOW USE OF TV SETS AS MONITORS

Chinese to compete with Microsoft

By James Harding in Beijing

A Chinese company is planning to challenge Microsoft's latest project in China, which promises mass access to the internet by allowing people to use their televisions as monitors.

The launch of "Nuwa", an operating system created by the Software Engineering Centre (SEC) of the government's think-tank, the Chinese Academy of Sciences, is intended to compete directly with the "Venus" project announced last month by Bill Gates, chairman of the world's biggest software company.

The main selling point of both new systems will be that the software needed for television access to the internet can be loaded on to a video compact disc (VCD) or set-top box, which will cost much less than a personal computer.

The announcement that a Chinese company plans to rival a service unveiled by Microsoft just a few weeks ago underlines how rapidly domestic businesses respond to product innovations in the Chinese market.

Zhong Xichang, director of the SEC, acknowledged that the Nuwa service had no technological advantages over the Venus system.

"We also cannot compete with the market reputation of Microsoft," he said in a report published in the state-owned China Daily.

However, the company has established partnerships with more than 20 domestic electronics companies and plans to roll out the product later this year.

China has 317m television sets, 40m VCD players and 25 per cent telephone penetration, according to Ministry of Information Industry figures quoted in the report.

Mr Zhong suggested there was a great opportunity for development of the set-top box product: "We Chinese should win a big share in such a large potential market."

Microsoft hopes the Venus project will expose millions more people to the internet and is working with some of the best-known names in the Chinese electronics market to develop the product.

Liu Chuanzhi, president of Legend, China's largest personal computer maker and one of Microsoft's partners in the Venus project, was quoted as saying: "The introduction of the Venus project will mean ordinary Chinese families can enjoy the internet in a cheap way."

In China's personal computer market, the rise of companies such as Legend has resulted in foreign PC makers losing market share to rapidly emerging domestic rivals.

Compaq Computer of the US, for example, was China's market leader in 1994 with a 21 per cent share of the market, but it now has 9 per cent while Legend has 14.5 per cent, according to Chinese market figures.

Recently, Hewlett-Packard and IBM have been offering desktop computers at sharply cheaper prices in order to win back market share from Chinese competitors.

ENVIRONMENT CASE ECOLOGY GROUPS WIN RULING IN BID TO SAVE TURTLES FROM BEING TRAPPED IN NETS

Legal wrangle engulfs US shrimp dispute

By Nancy Dunne in Washington

A coalition of US environmental groups yesterday said it had won an initial ruling from the US Court of International Trade (CIT) which could handicap US efforts to comply with a decision by a World Trade Organisation dispute settlement panel.

The ruling by the New York court pits the issue of national sovereignty against US obligations to abide by the WTO judgments – a conflict US trade officials try hard to avoid.

However, environmental groups forced the issue by appealing against the US plan to comply with the WTO ruling against US efforts to protect turtles from becoming trapped in nets.

Six of the seven species of turtles in the world are listed as endangered on the US Endangered Species Act list, the World Conservation Union Red list, and by the Convention on Migratory species.

It is estimated that 150,000 turtles drown in shrimp nets each year.

However, in April 1998 a WTO dispute settlement panel upheld a challenge by India, Pakistan, Malaysia and Thailand against a US embargo on imported shrimp from nations without programmes which reduce the number of turtles caught in nets. The only known means of protecting turtles is through the use of turtle excluder devices, known as TEDs.

To satisfy the WTO panel, the State Department tinkered with its regulations and proposed allowing shrimp imports from countries without turtle protection statutes but which were willing to certify that individual shipments of shrimp were caught in nets using TEDs.

Turtle-safe shrimp nets in use off the coast of Georgia, US. Environmentalists object to a WTO ruling against a US ban on imports of shrimps caught with nets that can trap rare turtles AP

Environmental groups say the US can only provide real protection for turtles with "nation-by-nation" standards, which require the use of TEDs by all trawlers.

"The CIT ruling will compel the US to return to nation-by-nation standards," said Peter Fugazzotto of the Sea Turtle Restoration Project, one of the groups which filed the case.

A State Department official said the CIT ruling is likely to go to appeal.

In the meantime, the US will continue efforts to get a multilateral agreement among countries on the Indian Ocean to protect the sea turtle.

"Countries feel species protection is a sovereign issue and shouldn't be subject to the manipulation of the US," he said.

The multilateral approach was recommended by the WTO panel. The US attempted to get talks going before the WTO decision but was rebuffed. However, since the panel ruling there has been more support for negotiations, the official said.

Clinton 'failed' on China deal

By Mark Suzman and Nancy Dunne in Washington

US senators yesterday criticised the White House for failing to secure a deal with China on its joining the World Trade Organisation but said they hoped an agreement could still be reached.

Frank Murkowski, an Alaskan Republican, expressed concern that "lack of political will within the White House" had prevented President Bill Clinton signing a deal with Chinese Premier Zhu Rongji during a visit to Washington last week. "The White House should not blame a poisoned atmosphere in Congress for killing a deal that they are too timid to put forward," he said at a hearing of the Senate finance committee. "A good economic deal may indeed have been sacrificed on the altar of political ineptitude, incompetence or expediency."

Speaking at the hearing, Charlene Barshefsky, US trade representative, defended the decision to delay making a final deal. She said that while China had made a wide range of concessions during trade negotiations, several problems needed to be resolved. In particular, more work needed to be done on issues such as banking, securities and dumping regulations.

However, she expressed optimism that an agreement would be reached in the "not too distant future" and rejected the charge that China might walk away from the deal. "I do think the Chinese will continue to engage with us because they do see light at the end of the tunnel."

According to several reports, President Clinton and Premier Zhu virtually concluded a market access package but the US decided to wait until the domestic political atmosphere improved before announcing it.

NEWS DIGEST

SEMICONDUCTORS

Taiwan to investigate anti-dumping complaints

Taiwan has agreed to investigate an anti-dumping complaint by the island's semiconductor industry against US memory chip makers including Micron Technology. The investigation follows a series of similar actions by US chipmakers, including Micron, against Taiwanese rivals.

Analysts said it was not clear if the economics ministry's decision to investigate the complaint by the Taiwan Semiconductor Industry Association would result in punitive measures.

The ministry said it would make a final ruling in November on whether Micron and US chipmaking units of South Korea's Samsung and Hyundai Electronics dumped D-Rams, or dynamic random-access memory chips, in the Taiwanese market. US officials have been considering similar allegations against Taiwanese chipmakers.

Falling prices caused by over-capacity in the volatile memory chip market have sent many manufacturers into the red and prompted complaints of unfair pricing.
Mure Dickie, Taipei

PANAMA CANAL

Year 2000 alert for shipping

The Panama Canal is to insist that ships' computer-guided systems are Year 2000 compliant when they use the waterway at the beginning of next year. Vessel owners, operators or captains will have to show that ships' steering and propulsion systems and power plants will not fail due to embedded microchips not recognising the change of date from 1999 to 2000. Controls such as tug escorts could be imposed on vessels not able to demonstrate adequate computer systems.

Any 'millennium bomb' problems on January 1 would be highly embarrassing given that they would come at such a crucial time for the canal. Its ownership and administration is due to transfer from the US to Panama at midday on December 31.

Miguel Rodriguez, the acting chairman of the canal's board of local inspectors of vessels, said: "Since we operate ships in confined spaces, we are concerned about the potential problems this might represent to the canal." Up to 40 ships use the canal each day, often passing through locks with barely a metre of clearance.
James Wilson, Panama City

POULTRY TRADE

Mexico puts pressure on US

Mexico has imposed phytosanitary restrictions on US poultry products in a bid to pressure the US into opening its market to Mexican livestock. US exporters say the measures will cost them $50m-$100m in lost trade. The new animal health regulations, which went into effect on Monday, are the first time Mexico has tried to restrict imports of livestock products. The rules require the US to test for a low grade form of avarian influenza, a poultry disease. Mexico is the only country to require the testing procedures which are not compatible with US practices. Few producers are willing to make the costly transition, which they say has no scientific basis.
Andres Mandel-Campbell, Mérida, Yucatán

China admits to 12,000 wrongful verdicts

By James Harding in Beijing

China yesterday offered an unusually frank assessment of the problems it faces implementing the rule of law, reporting 12,000 wrongful court judgments and prosecution of 7,000 judicial officials and law enforcement officers for bribery and abuse of power last year.

The show of transparency and self-censure in the Chinese legal system coincided with a statement from Beijing defending China's record on human rights.

The State Council (cabinet) released a 13,000-word report listing improvements in China's human rights situation in 1998, a riposte to the US move this week to criticise Beijing at the UN Human Rights Commission's annual meeting in Geneva.

The Chinese human rights report, carried by the official Xinhua news agency, said that millions of people had been lifted from poverty, with Tibetans being given a greater role in government.

But Beijing did not mention the government's crackdown on the banned China Democracy party at the end of last year.

Leading pro-democracy activists who set up the largely symbolic opposition party were given prison sentences of between 11 and 13 years at the end of 1998 on charges of seeking to overthrow the Chinese state.

China, which argues that meeting the economic and social needs of its huge population must take priority over political rights, conceded it had its faults but called for dialogue rather than confrontation on human rights: "The Chinese government is willing to learn from other countries' useful experience in promoting human rights".

On Monday, the US criticised China for continuing to harass and detain democracy campaigners.

Frank Loy, US under-secretary of state for global affairs, told the UN human rights body that, while there had been improvements, "a huge amount of progress remains to be made".

The mishandling of legal cases also reported yesterday was intended to show how China has "strengthened human rights protection efforts in every aspect of law enforcement".

China had nearly 1,500 cases involving illegal custody, forced confessions, retaliations or frame-ups, the official statement said. Government departments have also granted compensation to 161 litigants involved in mishandled cases and redressed excessive periods of detention in 729 criminal cases.

Courts had re-examined 4.56m cases altogether, finding misjudgments in some 12,000 cases. More than 11,600 cases had been corrected.

Malaysia tones down rhetoric in face-off with Singapore

Tensions have given place to sharing in today's defence exercises, writes **Sheila McNulty**

Malaysia and Singapore today launch joint defence exercises that represent a sharp turnround from last year, when it seemed they were aching to fight each other.

The exercises are to be conducted in the context of the Five Power Defence Arrangements (FPDA), suspended last year when Malaysia startled its four partners by withdrawing from regular exercises in August saying it would reassess its membership.

Kuala Lumpur gave the economic crisis as the reason; diplomats felt sure that its insecurity compared with Singapore, which has fared better throughout the crisis, was a factor.

Malaysia cited tensions with Singapore over a long list of disputes, ranging from Malaysia's refusal to close a railway station on Singapore's territory to Singapore's refusal to loosen curbs on the release of money Malaysian workers contribute to Singapore's national pension fund.

Malaysia even went so far as to seize control of airspace it had shared with Singapore for decades.

With the administration of Mahathir Mohamad under pressure after the sacking of Anwar Ibrahim, his popular deputy, analysts say he used Singapore as a bogeyman to stoke nationalism and rally support.

Diplomats believe Singapore heightened its guard when relations were most strained, though Goh Chok Tong, its prime minister, denied that in an interview, playing down the significance of recent efforts to upgrade its armed forces.

In March, Singapore agreed to buy eight US-made Apache attack helicopters and shipped eight jet aircraft to France so its pilots could train in Europe.

"We have a philosophy of constant expenditure every year," Mr Goh said. The defence ministry tries to keep it to about 5 per cent of gross domestic product, which for 1998-99 amounted to S$7.3bn (US$4.3bn).

"Equipment has to be replaced every year, so there is a cycle for replacing aircraft, ships and so on. If we haven't got the funds, we'll not be replacing them. Since we have the funds, the programme of replacing them carries on."

Not only do such regular purchases keep Singapore prepared, but its numerous training missions abroad serve to tie in foreign countries to the defence of the city-state's 3m people.

Singapore took another big step early in the economic crisis when it offered the US naval berth facilities.

Teo Chee Hean, second defence minister, said Singapore had long believed the US presence in the Asia-Pacific region was vital for stability.

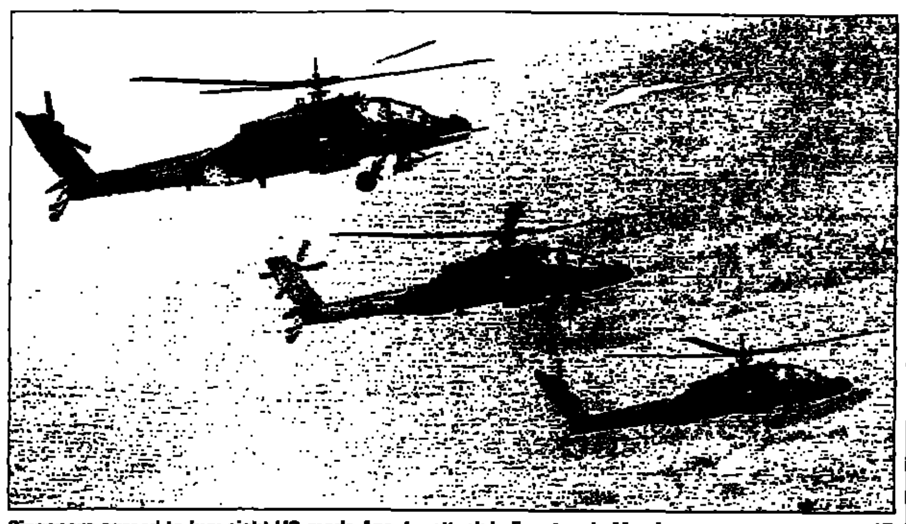
Diplomats say security relations between Singapore and the US are growing better. Malaysia meanwhile, is strengthening ties with Russia. They were reported to have signed a pact this month to increase defence co-operation.

Abdullah Fadzil Che Wan, Malaysia's deputy defence minister, told the local media that the country was being forced to cut weapons purchases and production by up to 30 per cent because of the economic recession.

Last year's budget set aside M$8.73bn (US$2.3bn) for security and defence. The Defence Ministry was also reducing the intake of regular soldiers to focus on building voluntary units.

But despite being forced to admit it is cutting back while Singapore forges ahead, Malaysia has toned down its rhetoric against its neighbour.

Abang Abu Bakar Abang Mustapha, defence minister, says Malaysia takes seriously the FPDA exercises, and wants to build them into its defence strategy. So this year's games will go on.



Singapore agreed to buy eight US-made Apache attack helicopters in March AP

Malaysia prepares for Anwar verdict

By Sheila McNulty in Kuala Lumpur

Malaysian police armed with batons took up position last night around the High Court in Kuala Lumpur, where a judge is to announce his verdict today in the politically charged case of Anwar Ibrahim, the sacked deputy prime minister.

A truck mounted with a water cannon was parked nearby to break up any demonstrations. But as dusk turned to darkness, the tens of thousands who had taken to the streets in protest after Mr Anwar was sacked for being "morally unfit" to succeed Mahathir Mohamad as prime minister were nowhere to be seen.

The mass rally and subsequent candlelight vigil his supporters had announced would begin before sunset did not materialise until close to midnight, and even then only 300 people turned out.

They appeared suddenly on a back street behind the courthouse and, away from the police, lit candles and unfurled a long banner of pro-democracy slogans, including "Free the People".

As they chanted *reformasi*, or reform, into megaphones, a dozen police moved in to break them up. The protesters marched away down the street and those driving by honked their support.

While the crowds have thinned, the impact of Mr Anwar's saga on the people of Malaysia remains significant. His beating in detention by Abdul Rahim Noor, who was then chief of police, and the charges of committing sexual misdeeds and abusing his power to conceal them subsequently filed against him have awakened the consciousness of what for years had been a largely apolitical people.

Mr Anwar insists the charges are part of a political conspiracy to keep him from challenging the 18-year reign of Dr Mahathir. The case has divided the nation and split Dr Mahathir's ruling UMNO party while emboldening the normally cautious opposition to speak out aggressively against the administration.

But how much of a role Mr Anwar can personally play in continuing the people's political education will depend on the verdict. He has so far been tried on four counts of abuse of power, each of which carries a maximum penalty of 14 years in jail and a M$20,000 (US$5,260) fine. Mr Anwar says he expects to be sent to jail for two to four years. Six more charges are pending.

NEWS DIGEST

CEASEFIRE URGED AS VIOLENCE GROWS

Indonesia offers to mediate in East Timor

Indonesia yesterday called for a ceasefire and offered to mediate in East Timor, where an escalation of violence between proponents and opponents of independence has threatened plans for a vote on the issue.

Ali Alatas, foreign minister, leaving a meeting with President B.J. Habible, said a commission of officials and Timorese faction leaders would be formed to negotiate an end to hostilities and allow for a vote on an autonomy proposal drafted by Jakarta. Mr Habible has vowed to let East Timor secede if the offer is rejected.

Clashes, some involving Indonesian military, escalated after a massacre of pro-independence activists in the town of Liquica and a subsequent call to arms by Jose Alexandre "Xanana" Gusmao, the jailed rebel leader.

Diplomats in Jakarta believe Indonesia's military has armed pro-Indonesian paramilitary and may have participated in attacks on pro-independence groups in an effort to sabotage talks between Mr Alatas and Jaime Goma, his Portuguese counterpart, in New York on April 22.

Separately, Aspar Aswin, West Kalimantan governor, said yesterday that thousands of people who had fled ethnic violence in Indonesian Borneo would be relocated.

More than 30,000 people who had fled to the provincial capital Pontianak from the Sambas region, about 875 km (545 miles) north of "will be relocated to an island near Pontianak", he said. **Sander Thoenes, Jakarta**

FIXED-LINE SERVICES

Taiwan drafts telephone rules

Taiwan has drafted rules under which local and international firms can bid to operate fixed-line telephone services, ending the state's monopoly, the telecommunications regulator said yesterday. Under the draft rules, which still need ministerial approval, bidders must have paid in capital of T$40bn (US$1.2bn). Some potential bidders had complained that the capitalisation requirement was too high and proposed halving it to T$20 billion.

Some analysts say it is difficult to say how much the market is worth, and it could take up to 10 years to break even. However, they add, the market has the potential to be highly lucrative. **Reuters and Mure Dickie, Taipei**

TOO EARLY TO SAY RECOVERY IMMINENT

Japan's economic slide halted

Japan's economic slide has halted but it is too early to say that a recovery is imminent, the Economic Planning Agency said yesterday. Its monthly report, echoing comments last month, said: "As private demand is weak, the economy remains in an extremely severe condition. But, supported by various government policy measures, it is stopping its decline."

The agency gave a slightly improved view of housing investment and financial market conditions but was more negative on jobs.

Takashi Omori, head of domestic economic affairs at the agency's research bureau, said the main prop supporting the economy continued to be the government's huge public works projects, and their effects would last at least until autumn.

The Bank of Japan mirrored the EPA's view.
Reuters, Tokyo

WATER-SHARING AGREEMENT WITH INDIA

Bangladesh faces shortage

Bangladesh may run short of water at the end of this month because of the water-sharing arrangement with India for the Ganges river, Abdur Razzak, flood control and water resources minister, said yesterday.

Unless it rains the Indians will not be able to fulfil their quota for water under the deal implemented 18 months ago, Mr Razzak said following a meeting of the Joint Rivers Commission in New Delhi at the weekend.

Farmers in some areas of Bangladesh already say that crop yields may be down 10 to 12 per cent because of a shortage of irrigation water. But Mr Razzak said India had also agreed to share the water of a second river, the Teesta, and six other rivers. **David Chazan, Dhaka**

BJP believes it will survive vote

By Mark Nicholson in New Delhi

India's ruling Bharatiya Janata party said yesterday the government could scrape through a tight vote of confidence if, as appears likely, a coalition partner carries out its threat to withdraw support.

Such a vote could swiftly follow tomorrow's resumption of the budget session of parliament if J. Jayalalitha, the movie starlet turned politician, formally withdraws the backing of the 18 parliamentarians in her Tamil Nadu-based AIADMK party.

The colourful and politically steely Ms Jayalalitha flew into Delhi on Monday from her south Indian base, complete with 48 suitcases, promising to meet opposition politicians and "find a good and viable alternative to the present government".

Her threat, though merely the latest in a series since she helped form India's coalition government a year ago, poses the most serious threat yet to the frequently fractious BJP administration.

After Ms Jayalalitha failed to persuade Atal Behari Vajpayee, prime minister, to sack George Fernandes, defence minister, and set up a parliamentary inquiry into Mr Fernandes's recent dismissal of India's navy chief, she withdrew her party's ministers from the coalition cabinet.

Earlier demands have included that the BJP sack the incumbent Tamil Nadu state government, her chief political rival.

Analysts in Madras, the state capital, say Ms Jayalalitha's current moves spring from frustration that the BJP has not met all such demands in the past year. "Since the BJP is not seen to be obliging, she's decided it's time to bring them down," said Cho Ramaswamy, a political analyst in the city.

Yesterday, from a base in Delhi's five-star Maurya Sheraton hotel, Ms Jayalalitha began a series of political meetings which are likely to include Sonia Gandhi, leader of the Congress party, and K.R. Narayanan, India's president.

Ms Jayalalitha and Mrs Gandhi, who is seeking to rebuild India's oldest party into a resurgent political force, last week shook hands at a highly publicised Delhi "tea party", a gesture of reconciliation the Tamil leader described as symbolising an imminent "political earthquake".

Congress, the second biggest party in parliament, has since remained publicly coy about building any future and alternative coalition with Ms Jayalalitha, with whom it has been an ally in the past.

However, BJP officials claimed the government could soldier on without Ms Jayalalitha's 18 MPs, even given its already slender parliamentary majority.

"We have enough support, we will demonstrate it as and when questioned," said Venkaiah Naidu, party spokesman. "We are getting positive indications of support from parties that want a stable government for this country."

هكذا من الأصل

Algeria's Islamic party may be absent from the election but it is far from forgotten

It is seven years since its imminent election sparked Algeria's bloody civil conflict. Tomorrow no official Fis candidate is standing for president, but no candidate can ignore the party. **Roula Khalaf** reports

The Islamic Salvation Front is supposed to be dead and buried. The party whose Islamist ideology and populist message captured Algerians' feelings of discontent and threatened to sweep away the military-backed regime was banned more than seven years ago. Since then, the Fis has been demonised and blamed for much of the violence that has ravaged the North African country.

But as Algeria prepares to elect a president tomorrow, it finds the Fis is still the ghost at the banquet. The election is dominated by candidates calling for a political solution to Algeria's crisis, who favour in one way or another, inclusion of at least some of the former Fis members in politics.

Even Abdelaziz Bouteflika, the former foreign minister seen as the army's candidate and the man most likely to succeed Liamine Zeroual as president, says he is willing to talk to former Fis representatives, though he has no intention of rehabilitating the party.

Encouraged by the discourse, Fis leaders have seen in the election a chance to end their political marginalisation and are backing Ahmed Taleb Ibrahimi, one of the most serious contenders.

Even if the Fis were to form a political party, this would not end the killings

That the Fis remains a factor in Algerian politics only partly explains its return to the political arena.

Its weight on the ground is difficult to gauge. Mention the Fis in Algeria and you will get two very different reactions. One is a smile to say the Islamic Salvation Front is a martyr and remains a fond memory as the only movement that dared to challenge the regime. The other is a sigh of relief that a party whose existence and ideology led to so much bloodshed can no longer threaten Algeria.

At the height of its popularity, the Fis was a nebulous movement which Algerian sociologist Lahouari Addi refers to as "a sentiment, a culture".

With charismatic leaders and a radical anti-regime rhetoric, it managed to capitalise on the political and social frustrations bred in the one-party state. In the first round of legislative elections in 1991, the Fis won 47.6 per cent of the vote. But there were many abstentions and fewer than 25 per cent of those eligible to vote cast their ballot for the Fis. The second round of the vote was cancelled by the army.

Since then, the regime has dealt the Fis as a party many blows. Its leaders are either in jail, under house arrest or banned from political activity. Its armed wing declared a ceasefire more than a year ago, and has received virtually nothing in return, in spite of promises of concessions by the regime. The truce was negotiated with the armed wing directly, bypassing the political leadership and it led to splits within the party.

Reopening dialogue with the Fis also is no longer the only prerequisite to national reconciliation in Algeria. Allowing some part of the movement to play a role in Algerian politics again would be important to healing the political crisis and removing any legitimacy armed groups may claim for continuing the violence. But even if the Fis were to form a political party, this alone would not end the killings by independent shadowy groups or substitute for a transition to democratic civilian rule.

"The debate over the Fis is a fake debate, the problem is now much broader than the Fis," says an official close to Mouloud Hamrouche, a leading candidate in the election.

"Algeria needs an opening of the political system and an end to the emergency rule. Then, all those who deny violence should be allowed to express themselves, including those who were Fis supporters."

Indeed, it is in large part because of the failure to allow the emergence of strong opposition parties and to alleviate social misery that the Fis continues to haunt Algeria.

This was highlighted last week when the leadership of the main legal Islamist political party promoted as a docile alternative to the Fis lined up behind Mr Bouteflika in the election. The move was in part aimed at taking votes away from Mr Ibrahimi and Abdallah Djballah, another independent Islamist candidate.

The Fis has made a symbolic gain already by showing that even while banned it could try to influence the political scene and back a candidate. Some Fis representatives are now harbouring the hope that even if Mr Bouteflika is elected they would get something out of this poll. Having considerably mellowed, most no longer dream of a return to 1991, and would be happy to form a new party under today's restrictive constitutional rules.

Whether the army command is ready for such a move is uncertain. But stripped of its populism and the leaders that moved the crowds, and having accepted that violence is not a viable alternative, a smaller, more moderate Fis is not likely to pose any threat to the Algerian regime.

An woman passes election posters in Algiers. Seven candidates are contending to give Algeria its first civilian leader since 1965 AP

Concern over emerging market rescue

By Richard Waters in New York

Any attempt to force private sector lenders to take part in official international bail-outs could stall the financial recovery of troubled emerging market countries, a group representing leading international banks and bondholders said yesterday.

Any such move would scare lenders away at the very moment when they were most needed by countries looking for a way to return to the international capital markets, said Charles Dallara, managing director of the Institute of International Finance.

His comments came as the organisation published its own thoughts on how the world's financial system could be made more stable after the turmoil of the two years. Its main recommendations: that it was up to individual countries to build better relationships with their foreign creditors and to reach voluntary, case-by-case resolutions to their private debt problems.

In an open letter to finance ministers and central bank governers ahead of this month's World Bank/IMF meetings in Washington, the IIF warned of the dangers of trying to "bail-in" private sector creditors in any official rescue package.

Such efforts would be "misguided" and "likely to jeopardise" a country's access to the financial markets for some time, the group warned. It also repeated its opposition to efforts by the Paris Club of official lenders to force Pakistan to reschedule its private bond market debt.

The IIF claimed that it was not opposed in all cases to renegotiations of eurobond debt, particularly since such securities have come to represent a much large portion of the external debt of emerging market countries. It added, though, that any such moves should lead to voluntary solutions like debt exchanges or refinancings.

"Ninety per cent of the flows [of new capital to the emerging markets] are coming from the private sector – it is impossible for the public sector to solve this on their own," said Bill Rhodes, vice chairman of Citigroup and the bank official who oversaw the recent voluntary agreements among international banks to maintain credit lines to South Korea and Brazil.

The lack of formal private sector debt restructurings during the emerging market crisis that has swept from Asia to Russia and Latin America has raised complaints in some official circles that private lenders have effectively been bailed out by the developed nations' taxpayers.

World Bank tensions, Page 10

Early warning forum to meet

By George Graham, Banking Editor, in London

Regulators, central bankers and finance ministry officials are to gather in Washington today for the first meeting of the financial stability forum, a new body set up to improve co-ordination and act as an early warning system for financial market crises.

The meeting will be opened by Hans Tietmeyer, president of the German Bundesbank, who recommended the creation of the forum in a report for the Group of Seven finance ministers after last year's market upheaval.

The forum, whose creation was spurred by the turmoil that followed Russia's default on its domestic debt and the near-collapse of the Long Term Capital Management (LTCM) hedge fund, will subsequently be chaired by Andrew Crockett, general manager of the Bank for International Settlements (BIS).

"It would be wrong to consider the forum a crisis management mechanism. Its purpose is to contribute to a proper functioning of markets," Mr Tietmeyer told VWD, the German news agency.

Hedge funds will be one of the first items on the agenda. Bank regulators meeting in the Basle Committee, under the auspices of the BIS, as well as securities regulators in the International Organisation of Securities Commissioners (Iosco), have been looking at ways of avoiding a repeat of LTCM's problems.

Though regulators are sceptical about regulating hedge funds directly, they have spelt out ways of ensuring that the regulated banks and securities firms which trade with them monitor their exposure to hedge funds more closely.

The forum's structure is already facing criticism, because it is limited to G7 countries and to international institutions such as the International Monetary Fund.

"Its success will depend on its moving very quickly to broaden participation beyond the G7 and involve major emerging market countries on an equal basis," said Alice Rivlin, vice-chairman of the US Federal Reserve.

"This is, of course, hard to do without making the forum unmanageably large, but unless a way is found to do so, the forum will be an anachronism before it gets started."

Personal View, Page 10

JOBS BLOW FOR LABOUR PARTY POLL CAMPAIGN

Kvaerner puts Scottish shipyard up for sale

By Andrew Parker, Brian Groom and James Buxton

The governing Labour party suffered the first serious blow to its campaign for elections to the forthcoming Scottish parliament yesterday when the last merchant shipyard on the upper River Clyde was put up for sale.

But Donald Dewar, chief minister for Scotland, told the Financial Times that people should not "write off shipbuilding in a final way" following the decision by Kvaerner, the Anglo-Norwegian group, to sell its Govan yard and Clydebank engineering works in the city of Glasgow.

Mr Dewar, announcing a government taskforce to assist the search for a buyer, said: "I don't know whether we will be successful. All I can say is we will give it our best shot. I heard somebody talking about the end of the Clyde. Not so. I would hope Govan will be part of it. But leaving that on one side, it's not the end of the Clyde."

He pointed to new orders for Ferguson, a merchant shipbuilder on the lower Clyde, a scheme for a new dock terminal at Port Glasgow and recent jobs created by US financial services companies.

Up to 2,000 jobs could be lost in Glasgow because of Kvaerner's decision to withdraw from shipbuilding. Worldwide, 13 yards have been put up for sale.

The Scottish National party – which is trailing Labour in the battle for control of the parliament, according to opinion polls – said the Kvaerner decision was a "severe blow" to Govan. It accused the government of failing to show the necessary commitment to save the yard.

Mr Dewar, insisting the Scottish economy was in good shape, said: "If you are worried about the future of Scottish industry, the road from independence would be littered with debris. It would create an enormous amount of uncertainty."

He claimed jobs at Rosyth dockyard and the Marconi Marine naval yard on the Clyde would be at "terminal risk" if the SNP won the election, on May 6.

Mr Dewar insisted the Scottish Labour party would have the freedom to pursue policies opposed to those adopted by the UK Labour party. "If we decide to go our own way, and the essence of devolution is the ability to do that, then we are entitled to do so," he added.

But he said a Labour-run Scottish administration would retain "a measure of control" over business rates after planned reform, to ensure local councils could not put at risk the competitive position of Scottish companies.

Mr Dewar welcomed the fact that the Scottish parliament could drum up public support for elected regional government in England.

He also acknowledged there could be a new assessment of public need across the UK in the medium to long-term, which might lead to a reduction in the Scottish parliament's £15bn ($24bn) budget.

End of the shift: a shipbuilder leaves the Govan yard after working on the Crystal Ocean PA

Price war erupts in mobile phone market

By Christopher Price

A fresh price war erupted in the mobile phone market last night when One-2-One, the mobile phone network offered for sale last month, slashed call rates and simplified tariffs.

The company is also launching the industry's first e-mail service.

Analysts said the price cuts of up to two-thirds on peak rate consumer calls would make One-2-One the cheapest network by around 20 per cent, ahead of Cellnet, Orange and Vodafone.

Orange said it was "very likely" to match One-2-One's tariffs but would issue a statement when it had studied the One-2-One move.

Tim Samples, One-2-One managing director, insisted the group's initiative was aimed at attracting fixed-line customers from British Telecommunications, the former state monopoly, rather then taking market share from the other mobile operators.

"They may follow us in these moves, but our main target is BT," he said. "We want to appeal to that part of the market that does not have a mobile phone because of either the tariff complexities or the prices."

The company is introducing a flat tariff for contract and pre-paid phone customers. It is also abolishing any differentiation between local and national calls. This will make it cheaper than BT's standard fixed-line charges in some cases.

The e-mail service will enable users to send and receive e-mail with their handsets, using the technology that underpins text messaging services.

Mr Samples said One-2-One aimed to increase the mobile industry's penetration from around 25 per cent, or 15m users, to 50 per cent by 2001.

BT said customers already benefited from reductions of as much as 30 per cent through discount schemes. "We would ask our customers to look at their total bill, not just one or two areas where One-2One claims to be the cheapest," it said.

On the sale of the business, Mr Samples said there had been "significant interest from European and US telecoms groups". He added that a public offering was still being considered. Analysts estimate the company, owned by Cable and Wireless and MediaOne, could be valued at £11bn ($17bn).

Battery recycling may interest Japanese

By Peter Marsh in London

A group of Japanese electronics producers is in talks with a UK technology company about recycling lithium-ion batteries, an energy storage device that is difficult to dispose of without creating environmental hazards.

AEA Technology has approached companies such as Sony, Matsushita and Sanyo about the UK company's technique for recycling these batteries – worldwide sales of which are projected to reach about $2bn this year. The rechargeable batteries are relatively light, small and powerful, making them suitable for new generations of mobile telephones, camcorders and computers. About 90 per cent of the batteries are made by Japanese companies, including those to which AEA is talking.

In the past two years, AEA – a quoted company formed from the previously state-owned UK Atomic Energy Authority's laboratories in Oxfordshire – has developed a UK pilot plant for recycling lithium-ion batteries. It is now keen to license the design to battery companies worldwide.

AEA, which holds a number of patents on lithium-ion manufacturing technologies, is already building a £12m ($19.3m) plant in Thurso, Scotland, to make specialist versions of the devices, for use by organisations such as the armed forces. It is doing this in conjunction with two Japanese partners – Mitsubishi Materials and Japan Storage Battery – which between them hold 45 per cent of the venture with AEA owning the rest.

Rob Neat, managing director of AEA's battery business, said his company's recycling scheme was an advance on rival ways of recycling lithium-ion batteries, devised by research groups in Japan, the US and continental Europe.

The AEA process uses a mixture of chemical and electro-chemical processes to separate constituents of lithium-ion batteries such as lithium salts, organic compounds and cobalt-based substances. These can be purified and re-sold at a profit, said Mr Neat.

Sinn Féin rejects terrorist arms proposals

By John Murray Brown in Dublin

The crisis in the Northern Ireland peace process deepened yesterday with Sinn Féin, political wing of the Irish Republican Army, formally rejecting compromise proposals on terrorist arms put forward by the British and Irish governments earlier this month.

As parties reconvened in Belfast, Northern Ireland's principal city, to discuss the joint declaration, Mitchel McLaughlin, Sinn Féin's chairman, accused the two governments of "a Pontius Pilate act" in "reneging" on its responsibilities to implement last year's Good Friday peace agreement.

In the face of continuing stalemate, London and Dublin had proposed that Sinn Féin could take its seats as ministers in the executive after some IRA arms were "put beyond use" as part of a collective act of reconciliation to honour all victims of the Troubles.

Mo Mowlam, chief minister for Northern Ireland in the UK government, warned Sinn Féin and the pro-British Ulster Unionists that if they continued to "fight their own corner" the executive would not be set up.

She said: "We can't impose an outcome. We will do everything we can to help but unless the parties realise that just fighting their own corner is not going to be enough, it's not going to work."

She added: "You cannot get an executive without both sides agreeing. We are only going to move this forward if the pro-agreement parties make this work."

But Mr McLaughlin said the proposed formula "moves away from the Good Friday agreement and makes the transfer of power and the establishment of the institutions conditional on the delivery of IRA weapons."

NEWS DIGEST

SHIPBUILDING

German yard bids again for QE2 refit contract

A German shipyard that refitted the the QE2 in 1994 and led to what some passengers described as "the cruise to hell" is bidding to win another contract with the Cunard flagship, it was disclosed today. Hamburg's Blohm and Voss is one of three companies competing for a £19.5m ($31m) refit and refurbishment contract for the QE2 this November. Cunard paid out millions of pounds in compensation to passengers when the first transatlantic cruise following the refit resulted in numerous problems on board. There were complaints of dark brown water seeping out of taps and toilets, unfitted carpets and cables strewn around.

But Cunard stressed today that it did not blame Blohm and Voss for the problems. Competing with the Hamburg company for the latest refit contract are Bremerhaven's Lloyd Werft yard and Southampton's A & P ship repair and conversion company, which carried out a successful £12m QE2 refit in 1996. A top design firm – Sweden's Tilberg Design – has been appointed for the interior design and refurbishment work.

BRUSSELS BEEF BAN

Experts examine abattoirs

European Commission veterinary experts are inspecting UK abattoirs this week as part of efforts by the European Union to lift a three-year ban on UK beef exports. EU agriculture ministers have already given political agreement for an end to the ban imposed after UK scientists identified a potential link between BSE – mad cow disease – and the new variant of Creutzfeldt-Jakob disease, the fatal human brain condition.

Exports cannot resume until the vets approve procedures for handling the meat. Administrative procedures mean it is unlikely that overseas sales can begin for several months. **Mike Smith, Brussels**

DIGITAL SATELLITE TV

BSkyB plans business service

British Sky Broadcasting, the satellite broadcaster, is talking to banks and retailers about offering them an exclusive business television service using digital technology. BSkyB has talked to Midland Bank and BHS, the retailer owned by Storehouse, about developing a specially tailored service for their customers and staff. It has also talked to representatives of the travel industry. Sky Business, a new division, will develop the project. The company announced yesterday that it was offering the 30,000 pubs and clubs that subscribe to its analogue service a free digital system. It said it would freeze the price of subscriptions for at least 12 months from September. BSkyB has previously alienated some pub owners by raising prices. **Cathy Newman, London**

BANKING

Competition review widened

The review of competition in the UK banking sector is to be widened to include electronic commerce and consumer issues, Don Cruickshank, leader of the review, said yesterday. He also indicated he would not be deflected from his two main areas of concern – the supply of credit to small businesses and the money transmission market – following the responses he had received to the consultation document launched in January. Although there would be "no major changes in the overall scope of the review," e-commerce and its inter-action with the money transmission market would be included. He said the review would continue to look at the supply of credit to small businesses, even though many submissions identified no problem. **Christopher Brown-Humes, London**

POLITICS

Local election battle starts

The biggest battle for local government seats before the next general election began in earnest yesterday, with the opposition Conservative and Liberal Democrat parties following Labour in launching their campaigns. There will be elections on May 6 in most of England, except London, and throughout Scotland and Wales. They are the most extensive polls of the four-yearly local government electoral cycle.

The Conservatives suffered their worst local government results in history when the seats were fought four years ago. Labour and the Liberal Democrats look certain to suffer losses in traditional Conservative areas.

But the Conservatives' continuing poor performance in opinion polls leaves party officials worried that insufficient gains could ignite doubts about William Hague's leadership. **Alan Pike, London**

SHAKESPEARE

Rose theatre relaunched

The Rose theatre beside the River Thames in London, which saw the premieres of plays by Marlowe and Shakespeare, is being re-launched 10 years after its discovery by archaeologists. The Rose has achieved global fame following the success of the Oscar-winning movie Shakespeare in Love. Many of its scenes took place in a reconstructed Rose, acquired after filming by Dame Judi Dench, who won an Oscar for her role as Queen Elizabeth I.

Visitors can stand on the spot occupied by the balcony and stare down at the stage area. An appeal launched yesterday by the Rose Theatre Trust hopes to raise £8m ($12m) to enable further excavation of the site and a better exposition for the public. Chris Smith, the chief heritage minister, was at the launch and indicated that an appeal for National Lottery funding to develop the Rose would be viewed favourably. The Rose, put out of business around 1605 following the success of the Globe, has already yielded much information about the theatre in Shakespeare's day. **Antony Thorncroft, London**

UK commercial vehicle registrations: March 1999

	Mar 1999 Volume	Mar 1999 % chg	Mar 1999 % share	Mar 1998 % share	Jan-Mar 1999 Volume	Jan-Mar 1999 % chg	Jan-Mar 1999 % share	Jan-Mar 1998 % share
Total market*	38409	24.3	100.0	100.0	72583	-5.2	100.0	100.0
Imports	24134	45.0	62.8	53.8	43430	5.8	59.9	53.7
Small vans (up to 1.8 tonnes)								
Total	11372	24.4	100.0	100.0	20395	-7.8	100.0	100.0
Imports	6825	50.5	60.0	48.6	11358	6.2	55.7	48.9
Ford	3269	-3.4	28.7	37.0	6526	-19.2	32.0	36.6
Vauxhall (GM)	2458	0.0	21.6	26.9	4407	-31.0	21.6	28.9
PSA Peugeot Citroën	1376	54.4	12.1	9.7	2549	9.4	12.5	10.5
Renault	1784	164.3	15.7	7.4	2575	155.5	12.6	4.6
Medium vans & pick ups (1.81–3.5 tonnes)								
Total	20034	32.6	100.0	100.0	35423	-4.6	100.0	100.0
Imports	11849	51.2	59.1	51.9	20675	6.6	58.4	52.2
Ford	6650	5.1	33.2	41.9	12356	-19.4	34.9	41.3
Mercedes Benz	2354	32.7	11.8	11.7	4312	-8.9	12.2	12.7
LDV	2145	21.0	10.7	11.7	3469	-8.7	9.8	10.3
Volkswagen	1498	28.7	7.5	7.7	2853	-12.9	8.1	8.8
Citroen Peugeot	1039	67.5	5.2	4.1	1771	23.8	5.0	3.9
Toyota	695	59.4	3.5	2.9	1199	-20.5	3.4	4.1
Fiat	1007	61.6	5.0	4.1	1441	15.1	4.1	3.4
Nissan	1123	197.1	5.6	2.5	1688	56.3	4.8	2.9
Iveco	666	24.5	3.3	3.5	1203	28.6	3.4	2.5
Trucks (over 3.5 tonnes)								
Total	5632	17.9	100.0	100.0	12460	1.3	100.0	100.0
Imports	4345	26.8	77.1	71.7	9495	12.1	76.2	68.9
Leyland Daf (Paccar**)	998	-4.9	17.7	21.1	2416	-7.4	19.4	21.2
Iveco Group *** (Fiat)	1075	5.3	19.1	21.4	2202	-6.9	17.7	19.2
Mercedes-Benz (Daimler Benz)	925	25.3	16.4	15.4	2034	6.8	16.3	15.5
Volvo	784	48.2	13.9	11.1	1673	21.6	13.4	11.2
Scania (Investor)	517	13.9	9.2	9.5	1306	-10.3	10.5	11.9
MAN	469	13.8	8.3	8.6	927	-5.9	7.4	8.0
ERF	268	-7.9	4.8	6.1	619	-12.7	5.0	5.6
Renault	311	39.5	5.5	4.7	734	55.5	5.9	3.8

Names in brackets indicate ownership * Includes buses and light four wheel drive utility vehicles
** Paccar also owns Foden *** Includes Iveco, Ford and Seddon Atkinson
Source: Society of Motor Manufacturers and Traders; industry estimates

Introduction of the 'T' registration plate on March 1 brought a big boost to the light commercial vehicle market. Registrations of light and medium vans – those up to 3.5 tonnes – in particular rose sharply. Birmingham-based LDV reported its best March ever.

Scientists face green transport test

By FT Reporters

Leading scientists will have salary increases of several thousand pounds if they use bicycles or buses to go to work.

Scientific Generics, one of the UK's biggest technology consultancies, is offering to make the payments in a bid to reduce objections from local residents to the extra traffic generated by its expansion.

The company, based 13km outside the university city of Cambridge, said it would make the payments if it was allowed to proceed with its £5m ($8m) plan. The expansion would involve doubling the number of employees to 400.

But local environmental groups dismissed the proposals. The Green party said: "Giving the company planning permission would still be detrimental to the environment on balance. There's no guarantee that people would take up the company's offer."

A spokesman for John Prescott, deputy prime minister, said he welcomed any scheme to reduce car use, but any planning decision would have to take into account all circumstances.

But the proposal fits with Mr Prescott's efforts to encourage cycling, and integrate planning and transport decisions.

Scientific Generics' scheme would include car-sharing in which employees would be linked, via their computers, with software that works out where colleagues are going and what time they are leaving. The company could also buy bicycles for employees while a fleet of minibuses, monitored by satellites, could also be deployed.

The company has sales of £18m a year, with many clients in continental Europe.

THE ARTS

THEATRE IN MILAN

The Italian job on Shakespeare

Alastair Macaulay reviews new productions of 'The Merchant of Venice' and 'Hamlet'

Il vostro nome è Shylock? Milan (a name that in Shakespeare's plays is pronounced with the stress on the *first* syllable) possesses two of Italy's leading five theatre companies: both of which at present are playing Shakespeare. The Piccolo Teatro is presenting *The Merchant of Venice* (*Il Mercante di Venezia*) at the old Piccolo. Meanwhile the Teatridithalia, is giving *Hamlet* (*Amleto*) at the Teatro di Portaromana. I watched both last weekend, and with markedly different reactions.

What a difference it makes when a director puts all the focus on his actors – as in 'Amleto'

How come Stéphane Braunschweig now passes in Europe as a Shakespearian director of consequence? In recent years, Britain has seen both his francophone staging of *The Winter's Tale* and his anglophone account of *Measure for Measure*. Both were cerebral, analytical, static affairs. Alas, despite the presence of one of Italy's leading actors as Shylock, the same is true of his new italophone *Merchant of Venice* at the Piccolo. (Italian translation by Agostino Lombardo.) His spirit is especially alien to Shakespearian comedy and to the line-by-line mobility of Shakespeare's thought.

No actor makes a great impression in a Braunschweig production. The director predominates alone. His sets physically constrict his actors, and often coop them onto the apron of the stage. His Venice is modern-dress, his Belmont is period-dress. The difference between Shylock and the other modern-day Venetians is minimal – the full nature of the Christians' anti-Semitism only becomes forcibly apparent during the trial scene, visibly crushing Shylock – but Bassanio has to transform himself drastically into a Renaissance courtier to woo Portia (in Italian, Porzia). In the final scene, he is devastated to find that Porzia has taken the liberty of becoming a man, and a successful man, and in Venice. He, Bassanio, flounces out, slamming a door after him. Although Porzia soon follows him, it is unclear whether the marriage will survive. This might be revealing – England has seen reinterpretations of the play during the 1990s more radical than this (some successful), especially in terms of reinterpreting its gender politics – but the theory is more interesting than the practice.

Shylock is Roberto Herlitzka, the best actor of the cast. He catches Shylock's cunning and his wit. The way he folds to the floor at the end of the trial scene makes some impression. But neither this nor anything else about his performance exert great force, because Braunschweig will not let them.

What a difference it makes when a director puts all the focus on his actors! Much about the Teatridithalia *Amleto* might seem whacky, and certainly the expressionistic production – directed by Elio de Capitani – is wholly unlike almost every *Hamlet* seen in London in recent years. But everything here seems to frame and complement the actors' work. (The Italian translation – in the hendecasyllables that are as natural to Italian expression as the iambic pentameter is to English – is by Cesare Garboli.)

Intellectual energy: Fabiano Fantini and Ferdinando Bruni in 'Amleto'

Whereas the frequent stasis of the actors in the Piccolo *Mercante* seems contrived, here the frequent stillness of the actors is natural, riveting, wonderfully expressive. And Ferdinando Bruni – he and De Capitani are the company's artistic directors – *commands* the play as few Hamlets ever do; commands it by sheer force of mind. Standing still, he emanates energy. (So do all the other actors, notably Ida Marinelli as Gertrude and Giancarlo Previati as Claudio.)

In Bruni's case, it is intellectual energy. (As it happens, Bruni is not only an actor but also a director, translator, designer, and painter. He has recently translated Rimbaud's *Saison en Enfer* into Italian.) He is slight of physique, but elegant and absolutely assured; his voice is a dark, incisive, supple bass-baritone. And so we hang on Hamlet's thought; and so the whole play fall into place.

I think we would hang on his thought even more if the production had less intrusive recorded noise; if the gimmick of speaking certain speeches into a microphone were more selectively used (though it amplifies them, it reduces their effect); and if there was less nonsense with transparent plastic curtains whose rise and fall during the action is more distracting than we need. But the basic modern-dress economy of the staging works well. The Ghost, naked and given an exceptionally eloquent physical performance by Fabiano Fantini, really does seem to come from Purgatory. Polonio (Ruggero Dondi) dominates his family with unusual force; Laerte's neurotic rage and Ofelia's madness both grow, clearly and interestingly, from his repressive control. Ofelia (Paola Rota) really is a beauty; and both Luciano Scarpa (as Orazio/Horatio) and Alessandro Quattro (in several roles) make very fine impressions. The tension between the essentially classical but always natural acting style of the company and the expressionistic framework of the production is remarkable. The stage world seems surreal; the actors make it real.

'Amleto' at the Teatro di Portaromana, Milan, until April 30. 'Il Mercante di Venezia' at the Piccolo Teatro, Milan, until April 18.

NEW YORK MUSIC

Difficult diva returns to Battle

She used to be everyone's darling. Slim, wide-eyed and decisively dimpled, she looked like anything but an opera star. She exuded sweetness and light, easy charm, softness and fairy-tale femininity. She was smart, too. And when she sang – especially the gentle, high-lying melodies of Mozart and Richard Strauss – she unleashed her own personal chorus of silver bells.

Kathleen Battle was the toast of the best operatic towns in the world. But her artistic home was here, in New York, at the mighty Metropolitan Opera. And it was Joseph Volpe, head of the Metropolitan Opera, who humiliated her with a public firing five years ago during rehearsals for Donizetti's *La Fille du Régiment*. The official reason was: "unprofessional conduct that was deemed profoundly detrimental to the artistic collaboration among all cast members."

Battle's career hasn't exactly flourished in the interim. She has made some recordings, most notably crossover endeavours. With the accompaniment of nothing more threatening, or more threatened, than a pianist, she still gives recitals. She has not appeared in an opera production anywhere since 1994, however, and her concert engagements aren't as frequent or as prestigious as they used to be. Many impresarios seem to have decided that, minus the Met imprimatur, it isn't worthwhile to do battle with Battle.

The difficult diva may find herself in career distress, but she still commands enough faithful fans to pack Carnegie Hall. In fact, she did just that on Sunday afternoon, with the ever-faithful Martin Katz providing extraordinarily tactful reinforcement at the keyboard.

Now 50, Battle still commands the limpid, shimmering tone that illuminated her work in her best days. Her range remains wide, and the top tones still shine brightly. She remains a canny stylist, and, yes, she still looks lovely. (It is no accident that the official programme biography flaunts this statement: "Her collaboration over many years with the noted scenic and costume designer Rouben Ter-Arutunian produced a series of gowns for her most important engagements.")

Alas, the remnants aren't enough. Her voice was never big, and it seems smaller now. More damaging, her interpretations are beginning to lend new meaning to such concepts as wispiness and preciousness. Self-conscious to fault, Battle doesn't just sigh and whisper, she coos and whimpers. An equal-opportunity mush-provider, she makes it difficult for the innocent listener to decide whether she is articulating English, French, German, Italian or Spanish.

If her vocal mannerisms border on caricature, her physical demeanour suggests semaphore gone awry. Every song is illustrated with constant motion, the most favoured manoeuvre resembling the breast stroke. If only someone could tie those hyperactive hands behind that lovely back.

Battle's skimpy potpourri agenda, punctuated with endless bows, exits and entrances, began with a couple of breathy arias from Handel's *Theodora*. Three Mozart songs provided a bland transition to four wan Richard Strauss Lieder, with a popular fifth, "Ständchen," serving as mock-encore before the interval. The second half of the recital, for which the protagonist seemed slightly less nervous, opened with the bel-canto filigree of "O luce di quest'anima" from Donizetti's *Linda di Chamounix*. Then came some nicely perfumed reveries, courtesy of Fauré, and, at climax time, spicy Iberian indulgences of Guridi, Guastavino and Obradors.

The first encore offered the operettic gush of "Schenkt man sich Rosen in Tirol" from Zeller's *Vogelhändler*, in a performance gooey enough to make the old Schwarzkopf recording seem pristine.

One fled in sadness.

Martin Bernheimer

DANCE IN PARIS WILLIAM FORSYTHE BALLETS

Taking steps to solve the puzzle

William Forsythe has found an enthusiastic following among the Paris dance public since 1987, when his *In the middle, somewhat elevated* was made for the Opera ballet. Seasons at the Théâtre Du Châtelet, stagings at the Opéra, have consolidated this admiration. Now the Opéra has mounted an evening of his works: *In the middle*, and the acquisition of *The Vertiginous Thrill of Exactitude* (Forsythian titles are a measure of intellectual pretensions) and the creation of two new pieces: the inconsiderable *Woundwork 1* and the fascinating *Pas/parts*. I saw them last Wednesday.

There is in Forsythe's work, and in the eager cries of delight from bedazzled commentators that greet it, an element of naiveté, even of re-inventing the wheel. And few new imperial outfits have been more ecstatically hailed, or more carefully scrutinised. (Criticism about Forsythe in Europe is an industry producing more fog than sense.) The *disjecta membra* of movement that he produces, the dismantling of the academic clock that he undertakes to make several curious little machines which no longer tell the time, suggest his manner. Movement is speeded up, broken into components, its habitual connections rejected. The academic dance language, say his devotees, is variously "deconstructed" or "athletically developed from Balanchine" or inflected with attitudes taken from rock or hip-hop or break-dance. There is some heavy intellectual baggage attendant upon this – references to Daniel Liebeskind and Foucault and other modish names are used to "explain" the choreographic mêlée.

His dances look, to me, like an unsolved jigsaw, out of kilter, alienating in manner (the dancers frequently have a sullen, disengaged air), movement corkscrewing from the loose-hipped torso as if muscular control had gone. And, on a deeper level, the alienation extends to the grim lighting, and those grinding accompaniments which come from his favoured sound-provider, Thom Willems, suggest a steel-mill *in extremis*.

And so this Forsythe programme at the Opéra. It began, properly, with *In the middle* in meticulous performance. The Opéra dancers' classic integrity gave a glossy bravura to every least twitch.

The Opéra dancers' classic integrity gave a glossy bravura to every least twitch

Then the first new piece, *Woundwork 1*, whose title refers to the winding and unwinding of knots rather than the wounding of the academic dance by teasing and distorting it. Two couples, Marie-Agnes Gillot and José Martinez, Delphine Moussin and Lionel Delanoe, explore two separate duets, going their unconnected ways, occasionally complementing or echoing each other. The manner is rather lethargic, with a slow unfolding of action and a rewinding of dynamics that has a dream-like uncertainty of tempo. The dancers are superb; the dance much less so.

The contrast with the succeeding *Vertiginous Thrill* is extreme. This dates from 1996 and makes an ultra-academic response to the *allegro vivace* from Schubert's "Great" C major symphony. The music is untouched, as two men and three women churn out conventional, if taxing, politenesses. They look as if they would be better employed in the *Paquita* trio – where the classic dance has a bright and engaging edge.

But to close the evening, something new and considerable. *Pas/parts* offers 20 short bursts of activity – solo, duet, trio, ensemble – which pursue each other across the stage, sometimes overlapping, dedicated to exploring the potential of a step or a movement cell. The stage is a vast white box. Thom Willems' accompaniment bangs and grumbles like a threatening storm. The cast includes some of the Opéra's best artists. Forsythe's text is yet again a jigsaw puzzle of ideas, whose connections seem as difficult as in that first moment when the puzzle spills on to the table. But links and connections emerge, and the dance – often contorted in outline, brusque in energy – has a fine impetus to it.

Two sections seemed outstanding. A solo for Nicholas Le Riche involves a breath-taking circuit of the stage in which the leading edge of the movement can appear to be his shoulder or elbow – Le Riche a marvellous exponent of the most fascinating aspects of Forsythian theory as he shows us how energy pours through the movement. A duet for Eleonora Abbagnato and Jérémié Bélingard could be the pas de deux from Balanchine's *Apollo* 70 years on. There is the same inevitability about the dance, the same sense of re-discovery of academism, and the same intensity of feeling. I thought it wonderful, and Abbagnato, so delicate in physique, so true in style, is a grandly promising young artist.

Clement Crisp

Dance with fine impetus: scene from 'Pas/parts'

INTERNATIONAL

Arts Guide

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
● Leipzig Ballet: triple bill of works by Uwe Scholz; Apr 15, 17, 18
● Nederlands Dans Theater I: programme of works by Inger, Lightfoot, Kylián and Van Manen; Apr 20

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Otello: by Verdi. Conducted by Carlo Rizzi in a staging by Klaus Michael Grüber, with a cast led by Vladimir Bogachov; Apr 16, 19

BERLIN

DANCE
Deutsche Oper
Tel: 49-30-34384-01
● Tokyo Ballet: in the German premiere of Maurice Béjart's staging of The Nutcracker; Apr 14, 15, 16, 17, 18
● Tokyo Ballet: in a Maurice Béjart programme comprising Stravinsky's Le Sacre de Printemps and Petruschka, and Ravel's Bolero; Apr 20

CHICAGO

CONCERT
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
Kathleen Battle: recital by the soprano of a programme including works by Handel, Mozart and Strauss, with pianist Martin Katz; Apr 18

FLORENCE

OPERA
Teatro Comunale
Tel: 39-055-211158
www.maggiofiorentino.com
The Queen of Spades: by Tchaikovsky. Conducted by Semyon Bychkov in a staging by Lev Dodin, in a co-production with Netherlands Opera and Opéra National de Paris; Apr 15, 18

GENEVA

DANCE
Bâtiment des Forces Motrices
Tel: 41-22-418 3000
Ballet du Grand Théâtre de Genève: La Bayadère. New staging by Etienne Frey, with designs by Gérald Poussin. With the Orchestre de la Suisse Romande conducted by Thomas Rösner; Apr 15, 16, 17, 18, 19

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
● London Symphony Orchestra: conducted by Michael Tilson Thomas in works by Charles Ives, Carl Ruggles and Bruckner; Apr 15
● London Symphony Orchestra: conducted by Michael Tilson Thomas in works by Haydn, Bartók and Sibelius, with viola soloist Yuri Bashmet; Apr 18

Royal Festival Hall
Tel: 44-171-960 4242
● Academy of St. Martin in the Fields: Sir Neville Marriner celebrates his 75th birthday with a programme including works by Mozart, Britten and Mendelssohn; Apr 14
● London Philharmonic Orchestra: conducted by Leon Botstein in works by Wagner, Khachaturian, and Dvořák; Apr 16
● London Philharmonic Orchestra: conducted by Daniel Harding in works by Brahms, Mozart, and Strauss; Apr 20
● Orchestra of the Age of Enlightenment: conducted by Paul Daniel in works by Mozart, with soloists including soprano Susan Chilcott; Apr 19
● Philharmonia Orchestra: conducted by Christian Thielemann in works by Brahms and Schumann, with piano soloist Andreas Haefliger; Apr 17

EXHIBITION
Royal Academy of Arts
Tel: 44-171-300 8000
Vasily Kandinsky: Watercolours and other Works on Paper. 140 works on paper spanning the whole of the artist's career; from Apr 14 to Jul 4

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300.
● Mefistofele: by Boito. Conducted by Oliver von Dohnányi in a new staging by Ian Judge; Apr 15, 17
● Salome: David Atherton conducts Richard Strauss' opera, starring Vivian Tierney as Salome in David Leveaux's production; Apr 16, 20
● Semele: Rosemary Joshua sings the title role in Robert Carsen's new production, conducted by Harry Bicket; Apr 19

LOS ANGELES

CONCERTS
Dorothy Chandler Pavilion
Tel: 1-213-365 3500
www.laphil.org
Los Angeles Philharmonic: conducted by Emmanuel Krivine in works by R. Strauss, with piano soloist Martha Argerich; Apr 15, 16, 17, 18

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Maxim Vengerov: recital by the violinist of works by Brahms, Prokofiev, Chausson and Ravel, with pianist Leon McCawley; Apr 15
● Munich Philharmonic Orchestra: conducted by Yakov Kreizberg in works by Schubert, Mozart and Shostakovich. With piano soloist Mitsuko Uchida; Apr 14
● Vienna Philharmonic Orchestra: conducted by Roger Norrington in works by Nicolai, Bellini and Bruckner, with piano soloist Friedrich Höricke; Apr 19

EXHIBITION
Haus der Kunst
Tel: 49-89-211270
Angelika Kauffman (1741-1807): retrospective of works by the Swiss decorative artist, who was a founder member of London's Royal Academy. Includes paintings, drawings, prints and porcelain; to Apr 18

NEW YORK

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
● Susannah: by Floyd. James Conlon conducts a new staging by Robert Falls, with a cast led by Renée Fleming and Samuel Ramey; Apr 16
● Wozzeck: by Berg. James Levine conducts, with a cast including Hildegard Behrens and Franz Grundheber; Apr 17

New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
Intermezzo: by R. Strauss. New staging by Leon Major, with sets by Andrew Jackness and costumes by Martha Mann. Conducted by George Manahan: Apr 16, 18

PARIS

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
www.opera-de-paris.fr
● Lohengrin: by Wagner. Conducted by Mark Elder in a staging by Robert Carsen, with designs by Paul Steinberg; Apr 19
● Lucia di Lammermoor: by Donizetti. Conducted by Bruno Campanella in a staging by Andrei Serban and Robert Carsen, with designs by William Dudley; Apr 14, 17

SWANSEA

OPERA
Grand Theatre
Tel: 44-1792-475 715
Welsh National Opera: Peter Grimes, by Britten. Carlo Rizzi conducts a staging by Peter Stein, with a cast led by John Daszak and Janice Watson; Apr 17

TOKYO

DANCE
NHK Hall
The Royal Ballet: the British company's tour opens with Swan Lake; Apr 16, 17, 18, 19

TORONTO

OPERA
Canadian Opera Company, Hummingbird Centre
Tel: 1-416-363 6671
www.coc.ca
The Golden Ass: by Randolph Peters. World premiere. With a libretto by Robertson Davies. The director is Colin Graham and the conductor is Richard Bradshaw; Apr 15, 17

VIENNA

CONCERTS
Musikverein
Tel: 43-1-5058 6810
Vienna Radio Symphony Orchestra: conducted by Gerd Albrecht in works by Victor Ullmann and Erwin Schulhoff; Apr 16

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● ***Business/Market Reports:***
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

Wolf at the door

Robert Chote *reports on the tension between the World Bank and its president, James Wolfensohn*

Relations between the World Bank and its presidents have often been choppy. But even by previous standards, the past few weeks have been gruelling for James Wolfensohn, the Bank's chief. As well as threats to the institution's financial standing and the departure of key aides, he has found himself in a shouting match with his board of directors over the future of the organisation.

When finance and development ministers hold their spring meetings in Washington in two weeks time, there will be some blunt questions for Mr Wolfensohn to answer: Is the expensive re-organisation of the Bank he launched two years ago delivering results? And does he have a convincing vision for the Bank's future role?

Half the $250m earmarked for internal re-organisation at the Bank has now been spent, and Mr Wolfensohn has promised to cut running costs by $50m next year and a further $50m in fiscal year 2001 – a reduction of 10 per cent in real terms.

The strain on the Bank's 9,000 staff is already showing. Job insecurity has dented morale; 395 staff have been made redundant already and management is seeking authority to remove another 250. Job insecurity has already also meant that the Bank's complicated "matrix management system" has worked less well than it should. So has the "internal market" budgeting process, through which different parts of the bank buy services from each other.

"I had seen the world before coming here and the Bank's process is the worst I've found," one despairing manager told the staff association. "This is the only institution where everybody is charging everybody else. We count the same money many times over."

When the budget begins to shrink in the summer, managers fear that the quality of analysis and advice will suffer. Outsourcing and job cuts may intensify. Departments might no longer get the service they require from other parts of the Bank. And long-term planning could be sacrificed to keep day-to-day work on track.

"Given the expanding needs of our clients – and their increasing demands on us – one could argue that this is the time to invest more in the Bank, to make even more resources available, not less," Mr Wolfensohn has told his board.

But the bank's executive directors, who represent its 181 member governments, are in no mood to give him extra cash. They recently forced Mr Wolfensohn to withdraw a small but significant request for $13.3m to meet a budget overrun for the renewal of information technology systems.

"It is certainly possible that the shareholders will be persuaded that the Bank's budget can rise again in real terms," argues one board member. "But we must meet – or show that we can meet – the 2001 target. Without that, the management has no credibility."

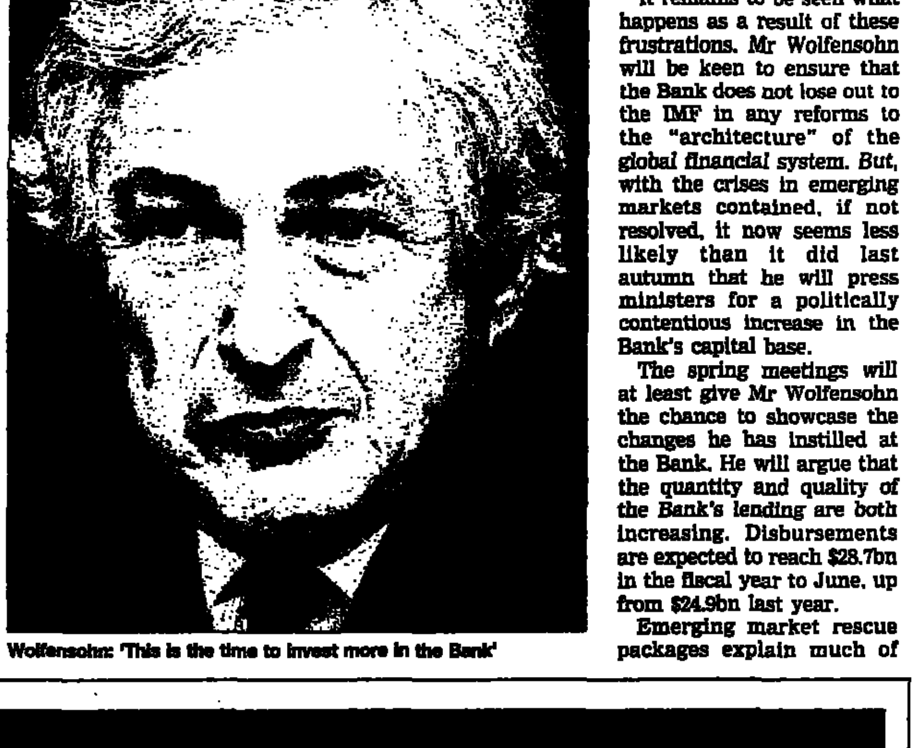
The relationship between Mr Wolfensohn and his board, wary at the best of times, is unusually strained. The latest flashpoint was a discussion of the so-called "Comprehensive Development Framework" – Mr Wolfensohn's grand plan to redefine the Bank's strategic direction.

He claims that "the CDF suggests a broader, more holistic, and longer-term approach to development". It involves setting up a matrix for each country, which allocates a comprehensive list of policy areas (everything from sewerage to judicial systems) to a number of development players (government, civil society, bilateral donors and multilateral organisations). Mr Wolfensohn believes this will identify gaps and prevent duplication.

Most directors support the principles of the framework, but are nervous about implementing it. Some believe Mr Wolfensohn has simply re-invented the wheel. A few are worried that it will be used as an excuse for expansionism as the Bank tries to fill every gap itself. Doubts about Mr Wolfensohn's plan intensified when Marianne Haug, the official in charge of developing the CDF, suddenly resigned, apparently concerned about the details of implementation.

When the board put their concerns about the framework at a meeting last month, Mr Wolfensohn erupted. Blasting the directors for shortsightedness, he said he had personal backing for the idea from several European heads of government. And invoking the memory of Yehudi Menuhin, the virtuoso violinist who had died shortly before, Mr Wolfensohn complained that he, too, had an artistic vision which deserved better than to be met with 182 pettifogging questions.

Mr Wolfensohn's outbursts are not uncommon, but advisers concede this was his worst flare-up yet. Board directors were enraged by the discovery that the CDF's "holistic" approach was already being applied in Bolivia, complete with an apparent delegation of budget authority that they had not been told about. But Mr Wolfensohn was in no mood to be conciliatory.



Wolfensohn: 'This is the time to invest more in the Bank'

Most directors expect this storm to blow over, like others before it. "Jim just does not understand the board," one director says, pointing to Mr Wolfensohn's background as an investment banker, rather than an international bureaucrat. "And we will never be the sort of board he would like. Most people think he is doing a good job, although we all bring lists of hang-ups and frustrations."

It remains to be seen what happens as a result of these frustrations. Mr Wolfensohn will be keen to ensure that the Bank does not lose out to the IMF in any reforms to the "architecture" of the global financial system. But, with the crises in emerging markets contained, if not resolved, it now seems less likely than it did last autumn that he will press ministers for a politically contentious increase in the Bank's capital base.

The spring meetings will at least give Mr Wolfensohn the chance to showcase the changes he has instilled at the Bank. He will argue that the quantity and quality of the Bank's lending are both increasing. Disbursements are expected to reach $28.7bn in the fiscal year to June, up from $24.9bn last year.

Emerging market rescue packages explain much of the increase, but the Bank is also getting more bang for its buck. Mr Wolfensohn's re-organisation (known as the "Strategic Compact") has raised the share of loan projects rated "satisfactory" by the Bank's in-house watchdog to 80 per cent from 71 per cent two years ago. Other quality measures have risen too, in effect adding $4bn to the real value of the Bank's lending.

Meanwhile the Bank has devoted more effort to financial sector reform, stepped up its anti-corruption work and provided emergency help for hurricane victims in Central America. Clients also welcome the fact that 23 of the Bank's 51 country directors have been moved out of its Washington headquarters and into the field.

On the financial side, the Bank has secured pledges of nearly $12bn to finance soft loans for poor countries over the next three years. New terms for lending to middle-income countries have put the Bank's finances on a sounder long-term footing. And higher-priced loans for crisis countries will give the Bank net income of $1.3bn to spend next year, $330m more than the Strategic Compact proposals had assumed.

"In terms of meeting our clients' needs, we have done much more than was ever anticipated under the Compact – with unprecedented levels of lending, disbursements and advisory services," Mr Wolfensohn has told the board. "Our focus on poverty reduction is stronger, and our development effectiveness is greater – by almost every measure."

But can it last? One fear is that the Bank's triple-A rating in the bond market will be undermined by proposals in the US Congress to fund disaster relief for Central America with money previously pledged to back the Bank's loans. Mr Wolfensohn must hope that Robert Rubin, the US Treasury secretary, will carry out his threat to veto the scheme.

For now, the results of Mr Wolfensohn's shake-up carry more weight with governments than concerns about the future of the institution. But with budget pressures perhaps now posing a threat to the recent improvements in the Bank's performance, it remains to be seen for how long he will be given free rein to pursue his vision.

LETTERS TO THE EDITOR

EU's data protection directive provides a satisfactory framework

From Mr Graham Wood.

Sir, The current debate between Europe and the US regarding privacy is not assisted by Amitai Etzioni's article "Protecting privacy" (April 9).

Mr Etzioni begins by stating that the new European Union Data Protection Directive requires "company use of personal information be preceded each time by the explicit consent of the person involved". This is not correct.

The First Principle of the new directive clearly details those areas where consent is not necessary. These include the processing of information "necessary for the performance of a contract" and for the "taking of steps at the subject's request with a view to entering into a contract". This provides companies with more than enough rights to carry out their obligations to customers.

While the use of personal information thereafter is subject to the consent of the individual it is entirely erroneous to give the impression that every little thing requires a letter to be sent to that person. For example, I have a loyalty card with a supermarket and have given my permission that they may use that data for their internal purposes and may sell that data on. It would be hard to argue that a regime that allows this is either overly restrictive or onerous.

Mr Etzioni is correct when he states that powerful computers and software mean that more detailed information can be kept on individuals. As the digital age progresses this will become an increasing problem due to a variety of issues, such as incorrect or out of date information.

The advance of technology also creates business opportunities as companies will increasingly be valued on the basis of their ability to handle and accurately manipulate data of all kinds, including personal information.

There is, therefore, a commercial requirement to limit access to personal data in addition to a very real need to protect the individual.

It is foolish to claim that there is only one way of achieving the desired result in this area as this presupposes we all want the same thing. Different cultures will have different aims and methods.

It is my belief that, while it is not the only model, the new directive provides an appropriate structure within which society and business should work for the foreseeable future. However, with a technology that changes by the week, I could not say that this will be true 10 years from now and I would hope Mr Etzioni would concur from a US perspective. This makes arguments as to who is "right" or has the "best system", somewhat sterile.

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Wasteful support behind the problems in canned peach and pear industry

From R.D. Taylor,

Sir, Your readers should not be misled by the comments in your April 7 edition ("Bananas, beef now peaches are highlighted in grocery 'war'") by a European Union official about the causes of problems in the global canned peach (and pear) industry.

The overwhelming cause is the exceptionally high and wasteful support, even by EU standards, provided by the EU to growers and processors of canned peaches.

This reached almost 80 per cent (for growers) and in excess of 20 per cent (for canners) of the value of production in the mid-1990s. This is much higher than for other sectors, such as pig farmers (9 per cent), wheat farmers (36 per cent and even dairy farmers (54 per cent).

As a result, Greek production has almost quadrupled since 1980. The problem is not confined to Greece or to peaches: canned pears also receive high levels of support.

This has caused significant problems for unsubsidised growers and canners in countries such as Australia. Despite some recent reforms, taxpayers in the EU continue to see their money wasted on growing more fruit than is needed, with consequent environmental problems.

In addition, there is the problem of fraud, as the European Court of Auditors found.

The Australian industry, together with colleagues in such countries as Chile, Argentina, South Africa and the US, has developed proposals that would provide an interim solution with benefits for growers in the EU and elsewhere.

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PERSONAL VIEW HOWARD DAVIES

A forum for stability

At a meeting today in Washington, the world's many financial supervisors and regulators should discuss closer co-operation to prevent future crises

Today sees the first meeting, in Washington, of the Financial Stability Forum. This brings finance ministries, central banks and regulators from the Group of Seven leading industrial countries together with international financial institutions and regulatory organisations. How thrilling, you may politely observe. Surely there are meetings like this every day of the week?

But it would be wrong to be too cynical. The forum is the place for working out ideas that have been gestating since the Asian economic crisis and last summer's Russian default.

Why did the Asian crisis, which began in Thailand in July 1997, come as such a surprise? Why did what might have been a healthy market correction at a time of over-rapid growth turn into a spiralling regional collapse of confidence and reveal fundamental weaknesses in the financial systems of the affected countries?

There were no easy answers to these questions. Some argued for radical reform of the international financial architecture. For a time it seemed as if some kind of global design competition had been launched, in which the creative departments of every finance ministry (if that is not an oxymoron) put in their bids. There were calls for the merger of parts of the International Monetary Fund and World Bank, and even for a global financial authority.

These ideas, or some of them, may have merit. But the more ambitious reformers stubbed their toes on the near-impossibility of reaching global consensus on the need for new institutions.

So the focus shifted (appropriately, in my view) away from the architecture and towards the plumbing. How could the linkages between the different participants be improved to provide more timely early warnings of impending trouble, help prevent future crises and orchestrate more effective responses to them?

From the perspective of a regulator in a large developed market, one prime need seems to be to upgrade the quality of supervision in countries where it has been shown to be wanting. There are agreed international codes of practice setting out the principles of banking, securities and insurance supervision, and most countries are nominally signed up to them. But there is no effective means of enforcing those standards, or of policing their implementation.

The regulatory trades unions, the Basle Committee, Iosco (which brings together the world's securities regulators) and others cannot discipline their – voluntary – members.

A single regulator covering the whole financial sector, such as the one we now have in London, and one which oversees the activities in the City of institutions from many countries, sees these gaps particularly clearly.

And we see another problem, too. The Financial Services Authority is the main UK representative in all the international groupings of regulatory authorities. There were about 70 of these at last count, and they breed. But almost all of them are sectoral. They bring together banking supervisors or insurance supervisors or securities regulators, but rarely all three. There is nowhere for different types of regulator to come together to share views on the overall stability of the financial system. And there is certainly nowhere where all these regulators meet with central bankers and finance ministers. This is anachronistic at a time when international markets are increasingly interconnected and where many of the threats to financial stability in the industrialised economies arise from developments elsewhere.

Financial institutions themselves no longer respect the traditional sectoral boundaries: banks own insurance companies; insurance companies own banks; investment business may be done by institutions of any type; even in the US, legislation now in Congress could sweep away the last vestiges of the Glass Steagall restrictions, which separate investment from commercial banking.

So a sectoral regulator in one country can often only see one dimension of the risks being run by a global institution. In principle, this problem can be resolved through collaboration. Every international institution ought to be blessed with a lead regulator, who can co-ordinate the views of the cornucopia of bodies that oversee its different businesses across the globe. But if this structure is to be effective, the information flows between regulators must be as free and rapid as those within the firm itself. That is not easy.

We need to look for trouble more systematically than before, and to ensure that we monitor compliance with standards in all financial sectors

We have a particular version of this problem within Europe. In the euro-zone, regulation is conducted largely at the national level, though cross-border groupings are developing apace. So, looking ahead, some people worry that these groups could one day be without an identifiable national base. In my view, one should not be pessimistic about this. In the EU, habits of co-operation between supervisors develop rapidly to adjust to market changes, the single market provides a common regulatory framework, and information between regulators flows well. All the same, this co-operation still needs hard work.

More difficult problems are posed by internet commerce and by cross-border business from less well regulated jurisdictions: offshore centres and others. So we certainly need a step change in the intensity of international regulatory collaboration.

This was part of the thinking behind last October's proposal by Gordon Brown, the chancellor, to consider the need for a new body to improve co ordination. Hans Tietmeyer, the president of the Bundesbank was asked to assess whether the case was made, and his report to the Cologne meeting of finance ministers in February argued that indeed it was. Today's meeting of the Financial Stability Forum, chaired by Andrew Crockett, the BIS's general manager, is the outcome of that process.

There is no shortage of suitable cases for treatment. We need to look for trouble more systematically than before, and to ensure that we monitor compliance with standards in all financial sectors. The different groupings of regulators have, in their various parts of the forest, been trying to address the problems posed for financial systems and financial regulation by highly leveraged institutions (a more appropriate term, we think, than hedge funds). Nowhere is this work brought together. The forum could be the right place.

Similarly, all the groupings of regulators have been wrestling with the problem of how to spread best regulatory practice to offshore financial centres. But that requires political support, and a better constructed portfolio of carrots and sticks than we now have available.

With markets in the west hitting new highs and recovery under way in a number of Asian economies, it is easy to forget the dramatic market volatility of 1997, and the near-meltdown of last September. So now, before the memories fade, is precisely the time to begin planning our response to the next crisis.

The author is chairman of the UK's Financial Services Authority

COMMENT & ANALYSIS

FINANCIAL TIMES

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Wednesday April 14 1999

Handling Russia

The escalation of the Kosovo conflict signalled yesterday by Serbian incursions into Albania and news of further reinforcement of US forces provided a timely reminder that Nato's bombing campaign against Slobodan Milosevic must be matched by careful diplomacy.

And at the top of list of diplomatic priorities is the management of the west's relationship with Russia. The present disagreements over Kosovo are understandable and manageable. But if the conflict is not to spill out from the Balkans, Washington and its allies must avoid a still deeper split.

That was clear when Madeleine Albright, the US secretary of state and Igor Ivanov, the Russian foreign minister, met in Oslo yesterday for the first time since the war began three weeks ago. They agreed on nothing beyond the need to keep talking.

It would be naive to expect Washington and Moscow to see eye to eye. Nato has no choice but to continue bombing until Slobodan Milosevic pulls his troops out of Kosovo and allows the refugees to resettle.

In Russian eyes, the west has no right to attack a sovereign state that poses no threat to alliance members, should in any case have waited for United Nations support, and has gone in with no clear idea of what it aims to achieve.

Given the strength of these positions, it is all the more welcome that Washington and Moscow have kept talking. But they cannot merely agree to disagree for too long. The Kosovo crisis is moving too fast for that. They need to recognise and take steps to tackle an underlying divergence of interests.

Russian anger against Nato is just one symptom of growing isolation, thrown into relief by the collapse of the rouble last year and the admission to Nato last month of Poland, the Czech Republic and Hungary. At least a third of the Russian population now believes it should turn away from the west and cultivate a Eurasian sphere of influence. This is the audience for the extreme recent remarks by Russian politicians which have caused alarm in the west.

These politicians should now balance the instinct to satisfy their domestic audience with the need to safeguard a place for Russia in the international community. For its part, the US should engage Russia more. That means accepting more than a token Russian presence in the international force that may accompany the refugees back to Kosovo.

Failure to do this risks turning a split over Yugoslavia into another cold war. Russia may have become an economic weakling, but it is too populous and well armed to be brushed aside.

Earnings squeeze

With the US Dow Jones index racing past the 10,000 level, investors are hoping for some good profits news in the first-quarter results season, after a lean year in 1998. Yet, despite a few early star performers, there are few reasons to be optimistic about this year's earnings outlook.

Although gross domestic product grew by 4.3 per cent last year, total profits of US companies were flat. The top Fortune 500 companies fared even worse, with earnings down 1.8 per cent year-on-year. The main reason was a squeeze in profits between weak pricing power on one hand, and wage growth on the other.

True, growth in average weekly earnings (4 per cent in 1998) was more subdued than expected, given low unemployment. But this has to be compared with a rise in economy-wide prices of only 1 per cent (and a fall in producer prices), a result of global deflation.

Many companies responded with strong productivity gains, and cuts in non-labour costs. But this was not enough to plug the gap. The result has been a rise in the share of national income going to labour compensation, at the expense of corporate profits.

Many forecasters are predicting that profits will bounce back this year. The main reason for hope is the improvement in the world economy. The recovery in oil prices will help US energy companies; and the dampening effect of last year's General Motors strike will be removed.

But the pressure on profits resulting from the inability to pass on higher labour costs will, if anything, intensify. The labour market is tighter than ever, and the scope for compensating productivity gains is not endless.

An improvement in the world economy would help American companies' trading prospects. But remember that exports make up only 11 per cent of GDP – and that US output growth could soon cool from its current sizzling pace.

Finally, two of the factors supporting earnings were only temporary. First, profits have been flattered by lower interest costs, as interest rates fell; but rates have almost certainly now bottomed out. Second, many companies have been reducing their cost of capital by buying back shares, and increasing their levels of cheaper debt. This process cannot continue forever.

Overall, it is not implausible that profits will again fail to grow this year (although the internationally active S&P 500 companies are likely to do better than average). Such a long-lasting earnings standstill would look increasingly anomalous alongside historically high equity valuations. Whether, or when, investors will take fright at this prospect is another question.

Shipyard test

The timing could hardly be worse, from the government's viewpoint: just as the campaign for the new Scottish parliament begins, Kvaerner, the Anglo-Norwegian engineering group, plans to sell all its shipbuilding activities, including Glasgow's Govan and Clydebank yards.

Kvaerner is Europe's largest shipbuilder, with operations in Norway, Britain, Germany and Finland, and it will be shedding up to 25,000 jobs. Some 2,000 are at risk on Clydeside, where the Govan yard has special emotional resonance: it is one of a handful left on the river, once a cornerstone of Scottish manufacturing; and it was the site of the Upper Clyde Shipbuilders work-in in the early 1970s which forced a U-turn in the Conservative government's "no lame ducks" industrial policy.

The government yesterday announced the formation of a special taskforce to find buyers for Govan and Clydebank. That is a sensible use of official resources and good politics: the May 6 poll may have passed by the time the team reports back, reducing the impact of Govan as a campaign issue.

Yet as the political heat mounts over the next few weeks, Tony Blair, the prime minister, and Donald Dewar, the Scottish secretary, may come under pressure to pledge financial support for Govan.

The temptation must be resisted. There is no reason why taxpayers' money should be poured into an industry of questionable profitability, squeezed by global overcapacity and competition from low-cost Asian centres.

The Govan yard has made much progress in labour relations and working practices under 10 years of Kvaerner ownership, but it has been losing money for most of that time and is expected to run out of work by June. If it is to survive, it should be because a new owner can change its economics, not because of official handouts.

The government's attempt to shake off Labour's traditional industrial interventionism has been put in question by several policy decisions, including this month's agreement to inject £150m into BMW's plant at Longbridge.

Its declared policy is to boost productivity, innovation and investment across the economy rather than supporting individual industries. On that basis, there are no grounds for it bailing out Govan and, in fairness, there are as yet no signs it intends to do so.

If its resolve needs strengthening, it should recall that while Clydeside has been withering – along with much of European shipbuilding capacity – Glasgow has remade itself as a self-confident and prosperous city. Tampering with Darwinian industrial evolution is usually wrong and mostly futile.

Cult of the US manager

Why do so many UK companies choose US bosses? The answer, says John Plender, is often desperation

Chief executives have their exits and their entrances, but it is rare that these happen in the wrong order, as with the unfortunate Michael O'Neill at Barclays. He resigned as he came to work on his first day.

The resignation may be no reflection on Mr O'Neill, who is said to have been a victim of ill-health. But Barclays now shares the experience of several other UK companies, which have looked to the US for top managerial talent and emerged no happier for the experience.

The classic instance was at the strategically challenged telecommunications group Cable & Wireless, which acquired the services of a much admired American manager, Dick Brown, in 1996. Mr Brown was vociferous in trumpeting the virtues of execution as against strategy.

"I am a leader," he told the Financial Times soon after his arrival; and as leaders go, he went, after two and a half years of frenetic dealmaking, to Electronic Data Systems in the US. Despite all the impressive execution C&W was still in a strategic mess, although shareholders have not suffered.

The question, then, is whether the transatlantic managerial wizards who arrive with much fanfare in the UK are not an overrated and over-expensive luxury. Certainly, the surprising number of companies now looking in the US for a boss – including Reckitt & Coleman and Reed Elsevier – cannot believe they are. But it is hard to think of any instant boardroom implant from the US in recent years that could be counted an outright success.

The best excuse for acquiring US talent, says Samuel Johar, managing director of executive research consultants Buchanan Harvey, is that in sectors such as telecoms the US market is more highly developed. The same case could be made, at a pinch, in retail banking. Mr O'Neill, for example, had experience in his previous job at BankAmerica of selling off parts of the group – a skill that might well have been relevant at Barclays.

So the attraction of looking to the US to fill the gap in such sectors is that there are bound to be more impressive candidates available than in the UK. Yet the consultants' vested interests should not be ignored.

Directors' pay packages in the US are significantly more generous than in Europe and any migrant to the UK can be expected to demand an over-the-odds package by local standards. Since head hunters' fees are related to pay, a form of one-way arbitrage that raises UK rewards without reducing those in the US is immensely attractive to them.

They might not be able to seek an exclusively American solution without a steer from the company concerned. But nor is it surprising, given the incentives, that so many "global" executive searches focus so extensively on the US.

It is important to make a distinction between those North Americans who have risen through the ranks and those who have parachuted in. Sir Neil Shaw, the former chairman of Tate & Lyle, was a Canadian who happened to work for a company that was acquired by the British sugar group. He then worked his way up.

Although he failed to secure a timely succession, Sir Neil was perceived in the 1980s as an effective chief executive who achieved a clear focus for a company that had lost its way.

Richard Giordano, a US lawyer by training, was highly regarded as a chief executive and chairman of BOC, the industrial gases group. His US-style pay packages caused headlines for many years in the UK press. But only when he took them to an underperforming British Gas in the mid-1990s did institutional investors start to have doubts about him.

Marjorie Scardino, chief executive of Pearson (which owns the Financial Times), arguably falls into this long-stay category since she came to Pearson via The Economist, an affiliate of the group. It is too early to pass a judgement on her performance, but the rise in the Pearson share price since her arrival at least suggests she has a warm following among investors.

The likelihood is that the number of executives of US origin in the UK boardroom will increase over time, if only because of the growth in transatlantic investment flows. At end-1997 the stock of British direct investment in North America stood at £83bn, while the comparable figure for North American investment in the UK amounted to £77bn.

If such capital flows between countries with a common language fail to generate cross-fertilisation at boardroom level and below, something will be going wrong.

By contrast, outsiders are a high-risk option, says Buchanan Harvey's Mr Johar, and it takes a great deal of money to lure them across the Atlantic. The circumstances in which companies are prepared to take the risk are usually exceptional.

At Reed Elsevier, the Anglo-Dutch publishing group, the clash between two national cultures has led to strong disagreement over succession. A US chief executive was seen as a way of breaking through this cultural impasse. Carnaud MetalBox, confronting similar cross-border merger difficulties, looked for a chief executive outside its own Anglo-French constituency.

The difficulty is then one of persuading an outsider to undertake the task of minding a troubled shop while holding warring parties at bay. Reed's favoured US candidate decided there were less fraught jobs to be had elsewhere.

In the 1980s a troubled Midland Bank appointed an American, Gene Lockhart, as chief executive in the hope that his technological skills would allow Midland to leapfrog the competition from a position at the back of the pack.

"He was a visionary," says Andrew Hilton of the London-based Centre For The Study Of Financial Innovation, "though whether it makes sense for visionary people to run banks I'm not sure." In the event Midland was put out of its misery thanks to a takeover by HSBC before Mr Lockhart could prove himself. Some now feel that his technological legacy is looking better than sceptical UK colleagues felt at the time.

In every case where an American outsider has come in, it is possible to find a plausible-sounding justification. Yet almost without exception those who seek a foreign implant are in some kind of trouble. Cable & Wireless had lost both a chairman and chief executive who had been distracted from the company's strategic challenge by bitter personal feuding.

Barclays had suffered from the surprise resignation of Martin Taylor after the bank incurred unexpected bad debts and trading losses last summer. Reckitt & Colman, the household products group which is reported to be looking in the US as well as the UK for a new chief, is reckoned to be vulnerable to a bid.

A consistent pattern, it seems, is that companies in search of a US superman are usually ones with credibility problems. They are anxious to deflect pressure from analysts and institutions and to ward off the threat of takeover.

Perhaps the analysts and institutions should be more sceptical about these US chief executives. So far they have shown themselves to be expensive or footloose or both. And as the search consultant Mr Johar says, there must be a suspicion that something is very wrong with a company that cannot find the talent from within its own ranks.

Expensive, but available

The sound of an American accent is no rare thing in the corridors of Barclays Bank. Although it is one of Britain's more tradition-bound hierarchies, and one which only recently moved beyond the hereditary principle in selecting its top managers, Barclays has Americans running two of its four operating divisions – Patti Dunn at Barclays Global Investors and Bob Diamond at Barclays Capital.

Nevertheless, the bank still caused spluttering in the City when it looked overseas for a chief executive following Martin Taylor's abrupt departure in November. When Barclay's choice fell upon Michael O'Neill, former chief financial officer of Bank of America, City commentators complained that things had come to a pretty pass when Barclays could not find a suitable candidate in the whole of the UK, let alone among its own staff.

In years gone by, the shoe was on the other foot. Barclays was a breeding ground for high-flying bankers who looked elsewhere when the route to the top of the group's ugly Lombard Street headquarters appeared blocked.

Peter Ellwood, chief executive of Lloyds TSB, cut his banking teeth at Barclays, as did Malcolm Williamson, former chief executive of Standard Chartered and now head of Visa International, the card payments group.

Yet American banks have made more progress than their counterparts in other countries in balance sheet management, capital allocation and the development of electronic channels of distribution. Mergers within the industry have proceeded at a furious pace, too, so it is no surprise that the US is throwing off experienced and well-qualified bankers who 10 years ago might have stayed at home to become chief executive of a domestic institution.

Sir Peter Middleton, Barclays acting chief executive, revealed yesterday that the bank's original shortlist had included three candidates from inside the UK and three from outside. London headhunters said it was probable that all three candidates from overseas would be Americans.

The trend provokes mixed feelings among institutional investors, because of the knock-on effect of the much higher salary packages needed to secure a US chief executive.

Mr O'Neill's package broke new ground with an innovative deal in which he put up £5m of his own money to buy Barclays shares, and the bank matched the purchase. But the basic salary of £850,000 – twice Derek Wanless's at rival National Westminster Bank – has set a standard that British banks, including Barclays in its resumed search for a chief executive, will find hard to renounce.

George Graham

OBSERVER

Sharon's Kremlin love-in

Just what is Ariel Sharon up to? First Israel's bulky foreign minister says Iran is backing the Kosovo Albanians, so he steers clear of criticising Slobodan Milosevic.

Then he rushes off on his third trip to Moscow in as many months – without consulting his own foreign ministry. There, he cuddles up to Russian prime minister, Yevgeny Primakov, in a clinch that throws several decades of mutual animosity aside.

Gone are suspicions of Primakov's connections, even though the noted Arabist, intelligence expert and meddler in the Middle East is close to Iraq's President Saddam Hussein.

Forget too that Russia is again arming Syria, Israel's neighbour. Hardly matters. Israel, all of a sudden, wants Russia back in the Middle East.

Government officials don't find it too easy to explain the change in strategy. Some say Sharon, backed by prime minister Benjamin Netanyahu, wants to woo Israel's immigrant Russian vote ahead of parliamentary and premiership elections next month.

But cynics carp that it's all about snubbing the Americans. Washington's become ever more critical of Israel's refusal to implement the latest peace accord with the Palestinians.

And if his little Moscow love-in can kick some sand into Bill Clinton's face, Sharon's probably only too happy to oblige.

Fully covered

The lines outside Chinese bureaucrats' offices have long been peopled with Americans eager to do business with the country's billions. Insurance salesmen are as desperate to get going as the rest.

China's offered to open up its markets to international insurance companies in its bid to join the World Trade Organisation, but not much is likely to happen straight away.

Which makes the accomplishment of US insurer John Hancock all the more impressive. Last week the company was one of four foreign insurance groups given licences to operate in the country.

The insurer has had offices in Beijing for five years, and hasn't slacked in cultivating its friends. In 1997 John Hancock hosted a luncheon for Chinese president Jiang Zemin in Boston and last year brought former president George Bush to Beijing.

Bush, a former US special envoy to China as well as a one-time head of the Central Intelligence Agency, has plenty of standing there. And it won't have escaped Beijing's attention that the man who's leading the race for the White House in 2000 also bears his name.

Paper mountain

In a year dominated by pure paper takeover offers, it was only a matter of time before a company crossed into the realm of the truly weird.

Westlinks Resources, a tiddler of an oil and gas concern that's all but unknown even in its home province of Alberta, made a C$2.5bn, all-stock offer yesterday for stakes in over 40 Canadian oil and gas companies.

The targets of what Westlinks calls "multiple, simultaneous, hostile takeover bids" include Anderson Exploration and Poco Petroleums, which both have market capitalisations of well over C$1bn.

With just C$1.8m in revenues last year and 2.6m shares outstanding, Westlinks is planning to finance the bid by issuing up to 1.7bn shares. It's offering a 50 per cent premium on its targets' shares.

Analysts were chuckling with disbelief at the bid yesterday. But with internet companies changing hands in almost equally eye-popping transactions, it's hard to know for sure who'll have the last laugh.

Shrinking violet

Sometimes it helps if you don't make waves. Fujio Cho, who's been named as Toyota Motor's next president, has a sheepish grin and a sluggish style. That's probably exactly what Cho's paymasters in the Toyoda family want.

Cho, who headed manufacturing operations in the US, is a pale shadow compared to his predecessor Hiroshi Okuda, who masterminded Toyota's break into businesses such as consumer finance.

Although Okuda will stay on as chairman, Observer hears the Toyodas were keen to bring the company back under greater family influence. Still Cho's low-profile style might not play so well to the international audience. If he wants to get ahead outside Japan, he'd better practice that smile.

Penny pincher

Georges Ghosn, the proud new owner of French tabloid France Soir, made a splash when he entered its offices for the first time yesterday.

He shares a surname and an attitude with Carlos Ghosn, the auto executive who's known as "le cost-cutter". And true to form, Georges declared "the end of squandering" at the paper, which loses about FFr10m a month.

Just one bad move. Puffing on one of his customary cigars, he triggered the fire alarm, which calls in the fire department and costs FFr2,000 to reset. At least he didn't use a 500-franc note as a lighter.

The Financial Times

100 years ago

Easter holiday traffic

Considering the early date at which Easter fell this year and the rather threatening weather conditions that prevailed at the commencement of the vacation, the holiday traffic receipts of the railways must be accounted satisfactory, particularly as the comparison is with a period when the takings were the highest on record. The portion of the passenger business most likely to be influenced by the early incidence of Easter, was, of course, the long-distance traffic, which commenced on Good Friday or the day before and we find accordingly that one or two lines register a decline in takings.

50 years ago

German industry

Under an agreement reached between the U.K., the U.S., and France, Germany will be forbidden to build passenger ships, but will be allowed to build dry-cargo ships and tankers up to 7,200 gross register tons with a speed not exceeding 12 knots. The agreement, which prohibits some industries in Germany until a peace settlement is made, allows Western Germany to produce 11.1m tons of ingot steel a year.

FINANCIAL TIMES
WEDNESDAY APRIL 14 1999

THE LEX COLUMN

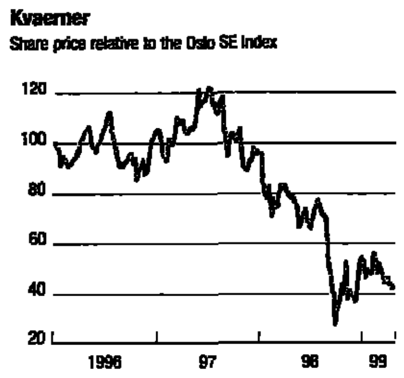
Non-stop shop

Welcome to the "shop until you drop" economy: while consumers are doing the shopping, inflation is doing the dropping. US retail sales are rising at their fastest for nearly 20 years and consumer spending growth for January to March could hit a staggering 7 per cent. Even factoring in the drag from a rising trade deficit, first-quarter gross domestic product will grow nearly 4 per cent. Yet yesterday's consumer price numbers show headline inflation at a quiescent 1.7 per cent. The only Americans feeling any pain appear to be Wall Street economists who are being forced to rip up their forecasts of slower growth.

Nor is it clear what will slow consumers down. The boost from mortgage refinancings and tax rebates will fade a bit over the summer, but will remain positive year-on-year. Nominal income growth is a healthy 5 per cent and equities are setting new records. Meanwhile, the world economy appears to be past the worst, which will help US exporters. Short of a stock market crash, the domestic economy will turn in another year of 4 per cent growth.

This is dangerously fast. While productivity growth has undoubtedly improved, if the economy continues to grow above its long-term trend rate of around 3 per cent either unemployment will have to fall to zero – which is impossible – or it will trigger inflation. Once the Federal Reserve acknowledges this, it will have no choice but to raise interest rates.

Kvaerner



Source: Datastream/ICV

Kvaerner's new chief executive – parachuted in from ABB to reverse a decade's empire-building – has a plan that, on paper at least, can save the Anglo-Norwegian group from its creditors. Targeting Nkr1bn ($130m) annual cost savings and a Nkr7bn reduction in net debt, Kjell Almskog hopes to raise operating margins to 2-3 per cent and returns on equity to 15 per cent-plus by the end of 2001. Investors must be forgiven for scepticism; Kvaerner has said as much many times in the past. But from Mr Almskog, such goals have more credibility. And given Kvaerner's Nkr11bn net debt – nearly twice its diminished market value – anything less aggressive would have been disappointing.

The decision to quit shipbuilding, accounting for around 20 per cent of group revenues, is proof Mr Almskog means business. With 10,000 employees in 13 yards, Kvaerner is one of the world's largest shipbuilders. And although shipbuilding provided a big chunk of group profits last year, as subsidies dwindle the outlook for this highly capital-intensive business is bleak.

Kvaerner will be lucky to find buyers for half of its yards, and closing long-standing lossmakers like Scotland's Govan will be expensive. Still, further disposals, particularly that of the civil engineering arm, should follow soon if Kvaerner seriously wants to be focused. So for the moment, although its nadir is probably past, Kvaerner remains a challenge best watched from the sidelines.

Barclays

Oscar Wilde's Lady Bracknell would not have been amused. To lose one chief executive might be bad luck, but two within six months smacks of carelessness, even if the second never actually took up the post. Nonetheless, Barclays can justifiably claim that bad luck – in the form of a previously undiagnosed heart problem – has robbed it of the services of Michael O'Neill, the expensive American it netted in February.

The market's unruffled reaction to Mr O'Neill's withdrawal seems justified. Since Martin Taylor's resignation in November, Barclays has addressed many of the concerns that were vexing investors. The bank has pledged to hold down costs, after last year's worrying 5 per cent uptick. It is also reining in Barclays Capital, which should boost the investment bank's anaemic returns. The medicine is starting to work. Barclays has been the best performing UK bank over the past three months.

However, it should not dawdle in finding a successor. With European banking in turmoil, a seasoned hand on the strategic tiller is needed. Barclays says it can revert to the shortlist drawn up before Mr O'Neill's appointment, cutting the search time in half. Another option might be a merger. The lack of a chief executive would at least prevent an ego clash. Both Bank of Scotland and Royal Bank of Scotland intimated interest following Mr Taylor's departure. Now Barclays' shares are perkier, the idea might merit another look.

Laporte/Clariant

Swiss secrecy is renowned, but Clariant must be setting records. Laporte, a UK chemicals rival, acknowledges a takeover approach. It is widely known this approach comes from Clariant. The next day, the talks are off. All very mysterious and not a peep out of the Swiss chemists. Clearly, the episode must be embarrassing to Clariant. The company already has one set of failed merger talks to its name, with Ciba. It is even stranger since the usual stumbling blocks do not seem to have played a part. Management egos were apparently under control. And negotiations on price seemed to be moving along fairly smoothly. Of course, Clariant, has one issue in the shape of 45 per cent shareholder, Hoechst. Hoechst may have disliked a deal that increased its exposure to chemicals, because of its own proposed merger with Rhone-Poulenc to create a more exciting life-sciences combine.

But Hoechst is represented on the Clariant board, so would surely have made its concerns known. And investment bankers are paid to come up with schemes to overcome such hurdles. If the issue was Hoechst, a special purpose vehicle could have been created to hold the Laporte assets until Hoechst unwound its Clariant stake. Rhodia – in which Rhone-Poulenc owns a stake – proposes to do this, if it clinches a takeover offer for Albright & Wilson, another UK chemicals company.

STATE TO LAY OFF ANOTHER 7M AND FURTHER 26M LOOK TO GOVERNMENT FOR PENSIONS

China's welfare system set to come under huge strain

By James Harding in Beijing

China's state welfare system is set to come under unprecedented pressure this year, as state enterprises lay off another 7m workers – 1m more than last year – and a further 26m people turn to the government for their pensions.

State-owned enterprises have in the past been responsible for the bulk of pension payments and social welfare benefits for employees and their families.

But as losses in the state sector have grown, companies have proved unable or unwilling to meet social responsibilities, passing the growing burden directly to the government.

The ministry of labour and social security expects that by the end of June the state pension network will have expanded to cover 110m people, 26m more than in 1998.

Meanwhile, the government expects it will need about Rmb24.5bn ($3bn) to meet welfare and re-employment costs for workers laid off by state enterprises this year.

Wang Jianlun, vice-minister, was quoted yesterday as saying: "Taking better care of laid-off workers and further expanding coverage of the pension system are being given priority by the ministry."

His comments, published in yesterday's China Daily, reflect concern in Beijing over rising dissatisfaction among workers and pensioners in the state sector.

Many have not been receiving full or prompt payment of their salaries and pensions.

Earlier this month, a trade union leader at Capital Iron and Steel in Beijing, one of China's largest and best-known industrial state enterprises, said tens of thousands of workers had not been paid for more than two months.

In other parts of China and in many other sectors, there are similar reports of state companies making only partial or zero payments of salaries to workers and delaying payments of pensions.

Official figures show urban unemployment at 3.1 per cent at the end of 1998, with 11.5m people out of work. Officials have said a high proportion of employees laid off by the state sector have found employment.

But many economists still believe the number out of work is far higher, particularly if workers laid off from state enterprises but still on the company books are included.

Under the government's plan to assist state sector lay-offs, the state, the unemployment insurance fund and state enterprises will together meet the costs of a monthly allowance of Rmb140-380 for a maximum of three years for a laid-off worker who enrols at a re-employment centre.

Separately, statistics released yesterday added to what is becoming an increasingly mixed picture of the economy in 1999.

After reporting a 7.9 per cent fall in exports and a 59.8 per cent decline in the trade surplus in the first quarter of this year, China announced yesterday its foreign exchange reserves rose slowly but steadily by $1.67bn in the first quarter of 1999 to $146.63bn.

Competing with Microsoft, Page 5

Trade talks run-up threatened by WTO leadership dispute

By Frances Williams in Geneva

A stalemate in the tussle over its leadership is likely to force the World Trade Organisation to miss another deadline today as it seeks to replace Renato Ruggiero, WTO director-general, by the end of the month.

The deadlock has raised fears that the WTO may find itself rudderless as it prepares for global trade talks, scheduled for the end of the year in the US.

Supachai Panitchpakdi, the Thai deputy premier, is pitted against Mike Moore, the former New Zealand premier, for the top job in world trade regulation. Supporters of Mr Supachai yesterday accused the US of blocking a consensus on his candidacy in the hope that a further delay would favour Mr Moore, Washington's preferred candidate.

At today's meeting of the WTO's ruling general council, the two trade envoys charged with consulting the 134 member countries are expected to announce that neither candidate commands the necessary consensus.

Mr Supachai's backers claim 80 countries have pledged support for him, including most of those in the Asia-Pacific region and the Middle East.

They also claim to have the support of most African nations, half or more of European, Central American and Caribbean WTO members, and a sprinkling of South American nations.

Mr Moore, while behind on the head count, is backed by some of the WTO's biggest traders – including the US, Germany, France and Italy – which account for almost a third of world merchandise trade.

The former New Zealand trade minister, who has been chipping away at Mr Supachai's support, leads his Thai rival in Latin America and has solid backing in other developing regions as well as in Europe.

No country has threatened a veto of either candidate, and the US says it will not block Mr Supachai if he can command a consensus. However, Mr Supachai's supporters believe the US is stalling to give Mr Moore time to win over countries.

Mr Moore's backers say some countries are only now making up their minds after the two other candidates, Roy MacLaren of Canada and Hassan Abuyoub of Morocco, were eliminated last month.

"Achieving consensus takes time," said one insider in the Moore camp. "Provided we get a decision by the end of the month, the delay is not a problem."

Though both sides say the contest is not a north-south battle, the Supachai campaign argues that it is time for the WTO to have a leader from the developing countries. All previous heads of the WTO and its predecessor, Gatt, have been Europeans.

Three-quarters of WTO members are developing countries and they play a greater role in the world trading system than ever before.

CONTENTS


Indian prime minister Atal Bihari Vajpayee, left, with president K.R. Narayanan. Mr Vajpayee's coalition is in danger of collapse. Page 6

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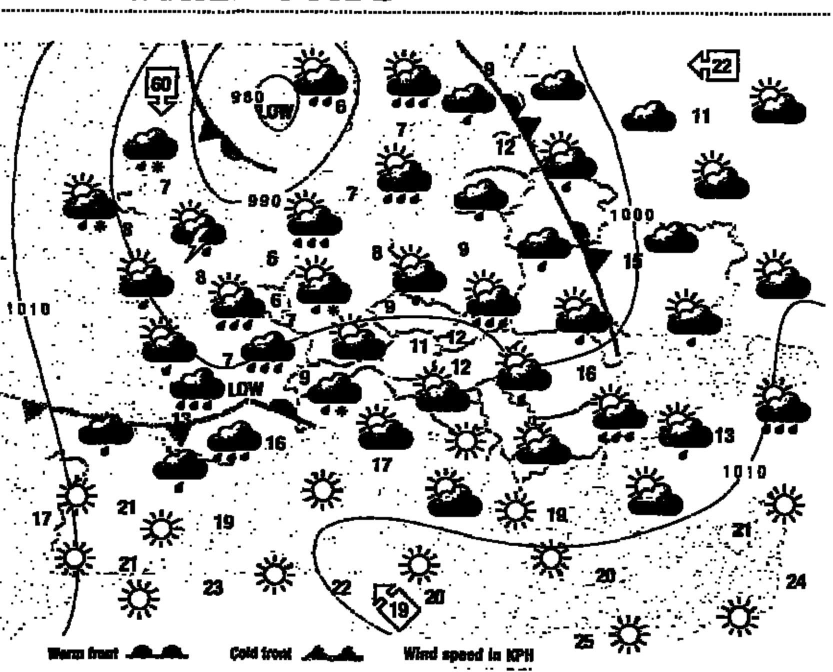
FT WEATHER GUIDE

Europe today

Much of southern Europe will be warm with sunny spells. Northern Spain will turn wet. Sharp showers are possible in Italy and the Balkans. Cold and unsettled conditions will mean sunny spells and showers across central and north-west Europe. Some of the showers will be heavy and wintry. Longer spells of rain are expected in central France, Denmark, southern Norway and southern Sweden will be chilly with sunny spells and showers, while an area of rain and snow will stretch from central Sweden south-eastwards through the Baltic states.

Five-day forecast

Low pressure will continue to bring unsettled conditions, with heavy showers, across central, western and north-western Europe over the next few days. Eastern Europe will be much milder. It will turn hot in Greece during Friday and Saturday.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	36
Accra	Thunder	31
Algiers	Fair	23
Amsterdam	Thunder	6
Athens	Sun	19
Atlanta	Sun	22
B. Aires	Shower	20
B.ham	Thunder	6
Bangkok	Thunder	35
Barcelona	Shower	17
Beijing	Sun	21
Belfast	Shower	7
Belgrade	Fair	18
Berlin	Hail	8
Bermuda	Shower	21
Bogota	Shower	18
Bombay	Fair	32
Brussels	Thunder	6
Budapest	Fair	12
C.hagen	Shower	7
Cairo	Sun	30
Caracas	Fair	28
Cardiff	Hail	6
Casablanca	Fair	20
Chicago	Shower	18
Cologne	Thunder	7
Dakar	Sun	25
Dallas	Thunder	21
Delhi	Fair	33
Dubai	Sun	30
Dublin	Hail	8
Dubrovnik	Shower	18
Edinburgh	Shower	6
Faro	Sun	19
Frankfurt	Shower	7
Geneva	Rain	9
Gibraltar	Sun	21
Glasgow	Hail	7
Hamburg	Rain	5
Helsinki	Shower	9
Hong Kong	Fair	28
Honolulu	Sun	28
Istanbul	Shower	15
Jakarta	Shower	32
Jersey	Hail	8
Johannesburg	Fair	24
Karachi	Sun	34
Kuwait	Sun	30
L. Angeles	Fair	24
Las Palmas	Fair	22
Lima	Sun	25
Lisbon	Fair	17
London	Thunder	8
Lux.bourg	Hail	4
Lyon	Rain	12
Madeira	Fair	18
Madrid	Fair	21
Majorca	Fair	19
Malta	Sun	20
Manchester	Shower	6
Manila	Thunder	32
Melbourne	Shower	18
Mexico City	Fair	29
Miami	Sun	28
Milan	Fair	17
Montreal	Fair	8
Moscow	Cloudy	11
Munich	Shower	12
Nairobi	Thunder	31
Naples	Fair	17
Nassau	Fair	29
New York	Fair	19
Nice	Fair	18
Nicosia	Fair	20
Oslo	Hail	6
Paris	Shower	7
Perth	Thunder	32
Prague	Shower	9
Rangoon	Fair	35
Reykjavik	Snow	-2
Rio	Shower	27
Rome	Fair	17
S. Frsco	Sun	25
Seoul	Sun	19
Singapore	Thunder	33
Stockholm	Shower	7
Strasbourg	Rain	8
Sydney	Fair	22
Tangier	Fair	21
Tel Aviv	Sun	24
Tokyo	Shower	18
Toronto	Fair	14
Vancouver	Fair	16
Venice	Fair	14
Vienna	Fair	11
Warsaw	Rain	9
Washington	Fair	21
Wellington	Shower	17
Winnipeg	Shower	7
Zurich	Shower	8

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FINANCIAL TIMES
COMPANIES & MARKETS
WEDNESDAY APRIL 14 1999 Week 15

INSIDE

Merrill posts record earnings
A strong underwriting performance and a large volume of business deals helped Merrill Lynch and Paine Webber Group post record earnings, boosting share prices across the securities industry sector. Page 17

RJB Mining signs four-year contract
RJB Mining, the UK's largest coal producer, secured a market *for most of its near-term output* by agreeing a four-year deal worth up to £800m ($1.3bn) with National Power, the country's second largest *generator*. Page 19

Seoul equities continue to soar
Seoul, the world's *best-performing stock market* last year, is already up 22 per cent in 1999. It neared the 700-point barrier yesterday as the Kopsi index closed at an 18-month high. Foreign investors have contributed to the bull run. Page 34

Anxiety returns to Japanese banks
Tokyo's Y7,450bn ($62bn) injection of public funds into 15 banks last month seemed to signal that the first stage of the national banking crisis was over. *But* the failure of Kokumin Bank, a second-tier regional bank, may be a sign that a second stage has begun. Page 18

Tesco raises pressure on Sainsbury
Tesco, the UK's largest supermarket group, posted a 7.8 per cent rise in *annual* pre-tax profits to £881m. The figures intensified the fear of more grim news this week from J Sainsbury, the food sector's number two retailer. Page 19

Brazil sours Australian sugar trade
A *shift in global trade flows*, collapsing world prices and wet weather are threatening sugar traders in Australia, the world's second largest *sugar exporter. But their* greatest threat comes from Brazilian sugar exports to Asia. Page 24

Foreign interest lifts Czech beer
Prospects for the Czech beer sector have been boosted by foreign interest. The victory of Nomura, the Japanese investment bank, in its two-year battle with Bass, the UK brewer, to create central Europe's biggest brewer could lead to the sale of the new concern to an international brewer that has the money and expertise to market Czech beer properly. Page 16

Tussauds to securitise ticket sales
Tussauds Group, which includes the Madame Tussauds waxworks museum, is to launch a £230m bond securitised on ticket and merchandise sales in the first asset-backed offering by a European leisure group. Page 22

FT extends euro-zone coverage
The FT is extending its euro-zone financial coverage with a new look for the Euro Prices page (renamed Euro Markets). From today, it will contain longer, analytical articles on trends in European equity, fixed income and currencies markets. In this edition it examines the attractions of European value and growth stocks. Page 37

COMPANIES IN THIS ISSUE

CROSSWORD, Page 24

MARKET STATISTICS

Clariant and Laporte call off takeover discussions

By Virginia Marsh in London, Uta Harnischfeger in Frankfurt and William Hall in Zurich

Clariant of Switzerland and Laporte, the UK chemicals group, abruptly called off talks on a potential £2bn ($3.2bn) takeover yesterday, just hours after Laporte revealed it was in negotiations with a possible bidder.

It is believed the talks, which were at an advanced stage, were halted because of Clariant's failure to secure the approval of Hoechst, its largest shareholder with 45 per cent.

Clariant declined to comment yesterday or to confirm it had been holding talks with Laporte. However, it is understood to have been preparing a cash bid of about 800p which, including debt, would have been worth about £2.1bn.

It is unclear whether Clariant failed to inform Hoechst fully of its plans or whether the German group was against the deal.

However, Hoechst, which is in the middle of a complicated life sciences merger with Rhône-Poulenc of France, has three representatives on Clariant's supervisory board. It is believed the Swiss group had asked Laporte for more time to consult with Hoechst and been refused by the UK group.

Shares in Laporte fell 95p, or 12.5 per cent, to 667½p after rising nearly 30 per cent on news of the talks on Monday.

The incident is an embarrassing setback for Clariant which in December called off a merger *with fellow Swiss* group Ciba that would have created the world's largest speciality chemicals group.

Hoechst declined to comment yesterday on the Clariant/Laporte talks. But analysts said it may have been against the deal because of complications it could have caused for its own merger. Hoechst is to dispose of its industrial interests, including its stake in Clariant.

Although Clariant was planning to pay cash for Laporte, analysts said the Swiss group would have been likely – or at least expected by the market – to issue paper subsequently. This could have depressed the value of Hoechst's holding.

Hoechst and Rhône-Poulenc decided a month ago to accelerate their merger into a new company called Aventis in a move to secure the backing of Kuwait Petroleum Corporation, the German group's largest shareholder. Under the original plans, it aimed to sell its Clariant stake and other industrial activities before the full merger in 2001 or 2002. But since speeding up the merger, it has only said it will sell the non-core activities as soon as possible.

Analysts said other bidders for Laporte could include PPG Industries, the US paints group.

Lex, Page 12

Workers at the Kvaerner shipyard in Glasgow, Scotland, arrive for a mass meeting about their future Reuters

Kvaerner revamp spells end of shipbuilding role

By Valeria Skold in Oslo and Tim Burt in Stockholm

Kvaerner, the lossmaking Anglo-Norwegian industrial engineering group, yesterday unveiled a fundamental restructuring involving its withdrawal from shipbuilding, provisions of up to NKr4bn ($513.5m) and a cost-cutting plan to reduce debts by NKr7bn this year.

The company – the world's largest integrated manufacturer of cruise ships, liquid gas tankers and specialist cargo vessels – said the programme would reduce turnover by Nkr25bn to Nkr55bn. It would also shrink its staff from 80,000 to 55,000, mostly through disposal of non-core assets.

Kjell Almskog, the chief executive recruited last year to overhaul the company, described the measures as "an important milestone" towards profitability. As part of the plan, he also announced a NKr2bn rights issue to strengthen the group's tattered balance sheet, while taking one-off charges of NKr2bn to cover lossmaking contracts, disposals and litigation claims across its shipbuilding, oil and gas, engineering and construction activities.

A further provision of up to NKr2bn is to be taken to cover possible losses on the exit from shipbuilding.

"The plan for this 'new Kvaerner' is to create a group that is significantly smaller and much leaner, but infinitely stronger," Mr Almskog added.

Kvaerner is considering spinning off its largest shipyards to shareholders while seeking trade buyers for smaller yards – including the lossmaking Govan yard in Scotland. Failing that, Mr Almskog said the group would consider closures of lossmaking yards or seeking an exit through a joint venture or merger that could lead to an initial public offering.

Other businesses, including metals equipment, energy and mechanical engineering, have also been earmarked for sale.

The withdrawal from shipbuilding will rid Kvaerner of Nkr2bn-NKr3bn of net debt and affect 10,000 employees.

Mr Almskog confirmed the company was talking to Aker Yards, a unit of Norwegian holding company Aker RGI, and other shipbuilders on the joint venture alternative.

Kvaerner's most commonly traded A shares, which have fallen 60 per cent in 12 months, closed down NKr1.50 at NKr136 in Oslo.

Editorial Comment, Page 11; Lex, Page 12; Facing radical surgery, Page 14

Canadian toll road deal goes to Spanish-led consortium

By Scott Morrison in Toronto

A consortium led by Grupo Ferrovial, the Spanish *construction company, has* reached a C$3.1bn ($2.05bn) agreement with the government of the province of Ontario to operate a pioneering electronic toll highway.

The deal is Canada's largest privatisation and is about double the financing the province provided for the road's construction.

The winning consortium also includes SNC-Lavalin, the Canadian engineering group, *and* Capital d'Amerique, a subsidiary of the Caisse de depot et placement du Quebec, the *provincial employees' pension* fund.

Under the terms of the sale, the winning group will operate the road and charge tolls for 99 years compared with the 30 years Ontario residents expected to pay tolls for using the highway.

The Toronto toll road, which uses an electronic system to track and bill users, was built and operated by Canadian Highway International, a private firm.

The consortium also agreed to finance, design and build anextension at each ends of the highway at an estimated cost of C$500m.

Jacques Lamarre, SNC-Lavalin's chief executive, said an additional C$400m required for debt servicing and working capital would bring the consortium's total investment to more than C$4bn.

Grupo Ferrovial will own 61 per cent of the project, SNC-Lavalin 23 per cent and Capital d'Amerique 16 per cent. Advisers to the consortium were Nesbitt Burns, Salomon Smith Barney and SNC-Lavalin Capital.

The sale of Highway 407, a partially opened 69km strip of highway crossing Toronto's north end, *was the first big* asset put up for sale by the government of Mike Harris, the conservative *provincial* premier elected in 1995.

Tolls charged by the private *group may be adjusted by two* per cent a year plus inflation for the first 15 years, and *thereafter by the rate of inflation* only.

The province will have the ability to claw back toll revenues if preset traffic levels are not met.

Toyota move raises questions on strategy

By Paul Abrahams in Tokyo

Toyota yesterday announced a top-level management reshuffle that raised questions about the future strategy of Japan's biggest automotive group.

Hiroshi Okuda, the company's dynamic president, is to be *made chairman and will be* replaced by Fujio Cho, an executive vice-president.

The move follows months of speculation about friction between the outspoken Mr Okuda and the Toyoda family, which owns less than 2 per cent of the group, but remains *highly influential.*

Analysts say Mr Okuda has been anxious that Toyota *should not use capital to prop* up members of the Toyota *keiretsu*, or business grouping. Sakura Bank and Tokai Bank have both asked Toyota, which holds large reserves of cash, *for capital injections recently.*

Some industry officials had warned that the selection of *Mr* Cho represented an attempt by the Toyoda family to strengthen its control.

Noriaki Hirakata, analyst at Morgan Stanley in Tokyo, said: "This marks a very critical *transition. Toyota can either* become still more shareholder friendly, or it can retreat into a *family* business. *While most* companies are reducing their *keiretsu* links, Toyota appears *to be moving in the opposite* direction."

He said appointments announced in *May* at the time of the full-year results might include significant promotions for members of the Toyoda family, indicating its continuing influence at the company.

Shoichiro Toyoda, *chairman*, played down the reshuffle, even though traditionally the *president wields more power* than the chairman.

He said that although the *titles did not exist at the Japa*nese company, Mr Okuda would be the equivalent of *chief executive officer*, while Mr Cho would be chief operating officer.

Mr Okuda would also remain representative director, an important post in Japanese companies. *Mr Toyoda would* become honorary chairman. Toyota's shares closed up Y120, or 3.55 per cent, at Y3,500.

Mr Cho, 62, is currently in *charge of corporate planning*, information systems and industrial equipment.

BARRY RILEY

Efficiency drives out flair

Investment management, although scarcely comparing with the internet sector, *has* been one of the most successful areas in recent *years for the creation of* entrepreneurial fortunes.

A handful of bright individuals can generate excess investment returns for several years, build substantial portfolios through taking on pension fund mandates or selling mutual *funds, then sell* out to empire-building banks or insurance groups for a *significant percentage of assets* managed.

This game plan has always worked best *in the US*, where a boutique culture has been nurtured by powerful investment consultants, and where investors are willing to back bright newcomers, but *there are plenty of examples in* Europe and the Far East too.

The future may be different, *however*. The investment management consultancy arm of PwC predicts a decisive power *shift from the asset* management teams to the back office and marketing departments. *Its* report, *Tomorrow's Leading Investment Managers**, published in co-operation with the Economist Intelligence Unit, predicts polarisation into investment asset "manufacturers" *that create* the products and "integrators" that gather the assets. The integrators will be *powerful*, brand-led operations and will assert increasing control over the value added within the *industry*.

Already the performance-led money managers have been jolted by unusual investment *conditions of the past year or* two that have led to severe underperformance against benchmarks. This year's first quarter saw a modest reversal of those trends – but many long-term track records have already been ruined.

Perhaps conditions have been freakish, but it can be argued that portfolio *managers' use of information* technology has reached an extent where market efficiency *has made skill all but* redundant.

Index-trackers have benefited enormously and they may provide precedents for the "TLIM" paradigm proposed by PwC. Tracker managers generate economies of scale, and have commoditised the product so that it can readily be labelled with all-purpose consumer brand names (such as Virgin in the UK).

There will never, of course, be a single paradigm. In the past the performance-driven model has existed in parallel with the private banking *approach*, which has depended almost entirely on personal relationships with high-net-worth individuals. In private banking performance, measurement has not only been unimportant but often *opaque*.

Niche players will always exist. However, the general *transfer* of power from the front office to the rest of the organisation may be irreversible. Out will go flair, in will come efficiency. PwC says investment performance will no longer be the most important factor in success.

Instead there will be three other key elements. The first will be the management of knowledge. This will apply not just to investment decision-making but to knowledge of customers and the competitive marketplace. Second, technology: investment management is rapidly shifting from a *people-intensive to a* capital-intensive industry where the integration of *systems* and the exploitation of opportunities in, for instance, internet sales will be vital for success.

Finally, the management of risk. Recent performance disasters may imply that, on the investment side, the industry *still* has a long way to go. In other areas of risk, ranging from fraud to computer security, further dangers lurk.

Such is the wisdom emerging from PwC's "thought-leadership panels". True, if you ask big company executives about the future of money *management*, they will inevitably dream about marginalising those expensive and unpredictable hot-performing fund managers.

But this may not just be wishful thinking. The investment wizards may indeed be forced to retreat to the hedge fund industry where *flamboyance still rules and* knowledge need not be optimally shared with the men in grey suits.

**EIU, $595*

BNP boosted in bid to acquire Paribas

By Samer Iskandar in Paris

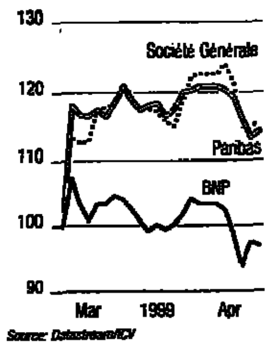
Banque Nationale de Paris' chances of acquiring Paribas improved significantly yesterday when the value of its all-share bid rose above that of a rival offer from Société Générale for the first time this month.

The situation is likely to increase the pressure on French regulators to investigate what the banks claim to be "suspicious" moves in their relative share prices.

However, a linked offer by BNP for SG was still valued yesterday at 2 per cent below SG's share price, reflecting market anticipations that the three-way battle is not over yet. BNP shares fell 1 per cent to €76.60 and SG was down 1.5 per cent at €167.40, while Paribas shares were little changed at €98.6.

"The market is convinced this is not yet a done deal," said an analyst at a bank that is not involved in the bids. "This means anything can still happen, including the emergence of another bidder or an improved SG-Paribas project." BNP and SG are offering to pay for Paribas with their own shares. BNP is offering 11 of its shares for eight of Paribas, and SG is offering five shares for eight of Paribas. BNP is also offering 15 of its shares for every seven of SG.

BNP, Paribas and Société Générale
Share prices (rebased 9/3/99 =100)



Source: Datastream/ICV

Because the rival offers do not include a cash element, the relative share prices are crucial. Since the beginning of the month, the relative prices have given SG's offer for Paribas an advantage over BNP's. However, with SG yesterday falling more than BNP, the latter offered a premium of 6.8 per cent over Paribas' market value, while SG's bid gave a premium of just over 6 per cent.

"If these were the prices at which Paribas shareholders had to decide, then they would go for BNP's terms," said the analyst.

The Conseil des Marchés Financiers, the financial markets regulator, is expected to set a timetable for the bids by the end of this week. It is likely to adjust its traditional 35 business day calendar, to account for the unprecedented complexity of the proposed deals. BNP's offer for SG, which is subject to the same timetable, will probably be extended until the fate of Paribas is known.

The outcome is expected to be further delayed by a lawsuit filed by SG and Paribas, challenging the regulators' decision to allow BNP's bids to proceed. The appeals court is expected to rule by the middle of June at the earliest.

Vivendi plans partial float

By David Owen in Paris

Vivendi, the acquisitive French utilities and communications group, plans to float up to one-third of its newly enlarged environmental services business within five years.

The company said yesterday the move would strengthen its capacity to develop both organically and externally, while retaining management unity.

The listing would come only once Vivendi had made optimal use of its tax loss carry-forwards, which was likely to take about three years. However, the group would publish pro forma accounts for the Vivendi Environment unit from this year.

Yesterday's announcement came less than a month after the company agreed to buy US Filter, the largest private US water company, for $6.2bn in a move described as the biggest French acquisition in the US.

The group said at the time that the cash deal, the latest of a string of high-profile US purchases, would be financed by a capital increase of about €3bn ($3.25bn) and a convertible bond issue of about €2bn.

Yesterday it confirmed that the acquisition would be at least 40 per cent financed by a convertible bond issue.

The bonds would have a six-year term and be convertible into Vivendi or Vivendi Environment shares at the investor's choice. The issue, set to be at least €2.3bn, will be launched in coming days if market conditions permit.

The capital increase will come after a one-to-three share split expected next month.

Vivendi shares closed 2.74 per cent, or €6.50, down yesterday at €230.50. This compared with a modest advance for the benchmark CAC 40 index.

Kvaerner faces up to radical surgery

The Norwegian group has broken with a failing strategy, writes **Tim Burt**

Kjell Almskog delivered a stark message earlier this week to the board of Kvaerner. The combative chief executive of the Anglo-Norwegian industrial group told directors gathered in Oslo that radical and far-reaching surgery was required to save the company from a near-death experience.

When the board meeting began, the directors were presiding over one of Europe's largest manufacturing companies – with 80,000 employees and interests spanning civil engineering and construction, to shipbuilding and oil and gas equipment.

Several hours later, they had decided to cut the workforce by more than 30 per cent and dispose or withdraw from businesses accounting for almost a third of the group's near-NKr80bn ($10.3bn) annual turnover.

The directors approved a plan that will see Kvaerner withdraw altogether from shipbuilding – it is one of the world's largest commercial ship manufacturers – while dramatically scaling back loss-making activities in its remaining engineering and construction businesses.

Mr Almskog, recruited last year from Swiss-Swedish engineer ABB to revive Kvaerner, said the overhaul would reduce total staffing by 25,000 while cutting business volumes by NKr25bn. In a pain first, gain later strategy, he warned the transformation would require provisions of NKr4bn and a further NKr2bn rights issue to strengthen the group's miserable balance sheet.

According to the chief executive, the overhaul will mark the end of a dreadful period for Kvaerner, which has seen its share price halved in the past year. Losses have mounted and net debts have reached NKr10.8bn.

Kvaerner, he predicted, would emerge as a leaner and more profitable company.

"Shipbuilding does not really fit," he added. "It is a drain on profitability and our cash flow and has no synergies with the rest of our activities."

Elsewhere, he said Kvaerner had been handicapped by the pursuit of volumes and thin margin contracts rather than profit margins. All that is about to change.

But it remains to be seen whether NKr4bn of provisions and a strengthened capital base, coupled to a more aggressive emphasis on shareholder value, will be enough to turn round a company that has been treading water for almost a decade.

Erik Tonseth, the chief executive ousted last year to make way for Mr Almskog, oversaw a culture at Kvaerner where market share and turnover was king. "Erik could never resist acquisitions and he hated selling anything cheap," said one industry executive.

That appetite for deals reached its climax in 1996 when Kvaerner – jilted in its pursuit of Amec, the UK construction group – paid £904m ($1.45bn) for Trafalgar House, the UK conglomerate that had run up losses of more than £700m in the previous five years.

At one level, the deal promised useful synergies with overlap in the civil engineering and offshore activities of both companies. But Kvaerner conspicuously failed to realise the potential cost-savings and took far too long to dispose of disparate businesses such as Cunard, the loss-making cruise line, and US housebuilding operations. The group also assumed a mountain of debt to finance the acquisition and consequent restructurings, and did not pay it down soon enough.

"Kvaerner lost focus and the market has drawn its own conclusions," said one banker yesterday. "Some people in the company wish they had never gone after Trafalgar House."

Mr Almskog was more circumspect yesterday. He said some of the former Trafalgar House businesses "could be taken forward. But we have had to look at the whole business from scratch. The state of affairs on my arrival was less than perfect."

If anyone can transform Kvaerner, former colleagues of Mr Almskog at ABB say he is the man. "People don't love him, but they respect his actions," said one.

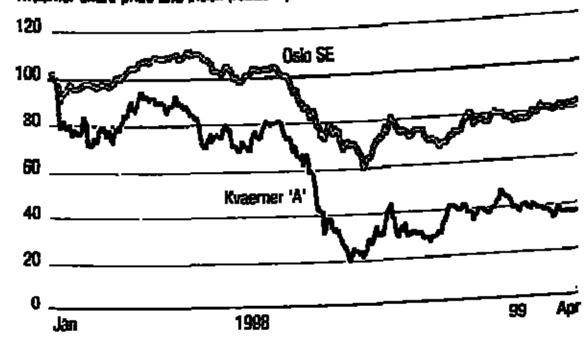
The challenge now will be to put the fine words into action. In order to maintain the confidence of Kvaerner's 54 lenders, Mr Almskog will have to act fast to realise the disposal or closure strategy in shipbuilding and other divisions.

If and when the group is streamlined and returned to profit, questions will remain on where it goes from there. Given the oil price and demand for turnkey power and engineering projects in south east Asia, the remaining divisions may struggle to show sizeable returns for some time.

By stripping out NKr1bn of costs a year and reducing debts, the new Kvaerner may itself become a takeover target after all the hard work has been done.

Mr Almskog is unfazed. "I am trying to create shareholder value," he added. "If we are vulnerable to takeover when we are finished, then at least it will show we have made Kvaerner an attractive proposition."

That sinking feeling
Kvaerner share price and index (rebased)



Provisions announced yesterday (NKr m)

	Shipping	Oil and gas	Engineering and contracting	Construction	Other	Total
Possible exit loss	2,000					2,000
Loss order provisions	200	200	150	–	–	550
Capacity adjustment	150	60				210
Disposals, loss-making units			135	255	100	490
Litigation claims					550	550
Project equity investments					200	200
Total						4,000

Source: Datastream/ICV company

Caja Madrid sells 3% stake in Telefónica

By Tom Burns in Madrid

Caja Madrid, Spain's second largest savings bank, is selling its 3 per cent stake in Telefónica, leaving the dominant domestic telecommunications group short of a key reference shareholder at a time of turmoil in the European telecoms sector.

The €1.3bn ($1.41bn) disposal – which is being conducted by Goldman Sachs, the US investment bank, and involves an open market sale – fuelled speculation that Telefónica, like Telecom Italia, could be vulnerable to predators.

The Spanish operator is the biggest blue chip on Madrid's stock market and 35 per cent of its equity is owned by foreign institutions. Banco Bilbao Vizcaya, which had owned 6.14 per cent of Telefónica ahead of its full privatisation two years ago, last month reduced its stake from 4.6 per cent to 3.2 per cent.

BBV was one of Telefónica's original core shareholders together with La Caixa, Spain's biggest savings bank, and Argentaria, the formerly state-owned banking corporation, which both continue to own just over 10 per cent of the operator between them.

"The Caja Madrid sale is a blow to Telefónica because it gives the wrong signals at the wrong time," said one senior Madrid trader. Analysts pointed out that Telecom Italia, whose shareholder structure is not unlike Telefónica's, failed last weekend to muster support from voting capital to mount a defence against Olivetti's hostile bid.

Caja Madrid built up its 3 per cent stake in Telefónica after the privatisation process saying it aimed to join the peer group of core shareholders with control of around 5 per cent of the operator's equity. The investment appeared at the time to assure Telefónica of a secure ownership base.

In a surprising reversal of this strategy the bank said it was pulling out of Telefónica to buy into other industrial assets, citing Indra, the recently privatised electronics group in which it has a 10 per cent stake, and Iberia, the national airline, which is due to be floated later this year. The bank stands to earn some €600m in capital gains from the sale of its Telefónica stock.

● Banco Santander Central Hispano, Spain's largest banking group, has paid €40.7m for 5.5 per cent of Retevisión, the second domestic telecoms operator. The equity was acquired from the government which sold the rest of its remaining 30 per cent stake in Retevisión to existing shareholders, among them Telecom Italia and Endesa.

Ericsson buys US internet group

By Nicholas George in Stockholm

Ericsson continued the rush of European telecommunication equipment makers to buy into US internet technology companies yesterday, when it announced the $450m purchase of Torrent Networking Technologies.

The cash purchase of the router manufacturer is the Swedish group's third move in the sector in the US in the last year, spending in total about $800m. In the last 12 months Nokia, Siemens, Alcatel and the UK's General Electric Company have all announced purchases of US internet-based equipment suppliers.

The European companies are aiming to win a slice of the business generated when telecoms and internet operators upgrade their systems to cope with the up to 300 per cent annual growth in data communication some carriers are experiencing.

Torrent Networking produces medium capacity internet routers, the switches which concentrate traffic on the internet. The company, which was set up in 1996 and has 80 employees, has yet to make volume sales but has its products placed on extensive tests with large operators.

The acquisition will allow Ericsson to provide operators with a complete range of routers.

The Swedish company said the only competitors able to offer operators similar "end to end" solutions were Cisco Systems of the US and Nortel Networks of Canada. "What we are getting is a product type that fits well in our existing product line in a market that is still emerging and we are very well positioned to compete with anyone," said Sven-Christer Nilsson, chief executive.

He defended the company against criticism that its acquisition policy in internet technology had been too slow and too small. "I know some of you have been impatient, but good news takes time and this move is strategically sound and financially responsible."

Analysts saw the move as being in line with Ericsson's "string of pearls" acquisition policy. Ericsson's most-traded B shares closed up SKr5 at SKr214.50.

Ericsson was advised by Merrill Lynch, and Torrent by Robertson Stephens.

Cisco in $2bn buy, Page 17

Nestlé may raise SFr750m with sale of Findus brand

By William Hall in Zurich

Nestlé, the world's biggest consumer food company, could raise up to SFr750m ($507.5m) by selling Findus, one of the world's best-known frozen food brands, to a US-Swedish venture capital group.

EQT Scandinavia, a venture capital firm set up by Investor, part of Sweden's Wallenberg family empire, and AEA, a US venture capital company, is negotiating to buy the Findus business in a move that will take Findus back to its Swedish roots.

Nestlé, which entered the frozen food industry with the 1962 purchase of Findus, said yesterday it was negotiating the sale of frozen food businesses with annual sales of close to SFr1bn and the Findus brand.

Analysts say the business, accounting for about 40 per cent of Nestlé's SFr2.5bn European frozen food operations, is low margin and relatively low growth.

Nestlé's shares jumped more than 3 per cent yesterday to SFr2,746. James Amoroso, of Bank Julius Baer, said the planned Findus sale showed that Peter Brabeck – Nestlé's new chief executive, who started his career as a Findus frozen food salesman – was starting to take a more aggressive approach to restructuring Nestlé's portfolio.

Nestlé stressed it intended to remain a major player in Europe's frozen food industry, but wanted to focus on higher-margin and faster-growing segments such as prepared dishes, snacks and pizzas. In line with this strategy, it announced the purchase of a small Spanish frozen food company with sales of SFr90m yesterday.

Findus, short for Frukt Industri, began life as a Swedish canning company. After being taken over by Marabou, Sweden's biggest chocolate manufacturer, in 1941, it began experimenting with deep freezing, and Findus frozen peas and spinach began appearing in Swiss shops.

After Nestlé acquired the business in 1962 it expanded Findus into Belgium, France, Switzerland, Germany and Italy.

However, the business has not been as profitable as hoped.

Nestlé and EQT declined to disclose the terms of the sale, but analysts speculated that, despite the strong Findus brand name, it would probably be sold at a discount to the SFr1bn sales figure.

EQT, which has about $1bn of funds at its disposal, plans to float Findus on the stock market at a later date.

NEWS DIGEST

PAY TELEVISION

MIH shares up 8.6% on first day of trading

Shares in MIH, an operator of pay television services, ended 8.6 per cent above their offer price yesterday on their first day's trading in Amsterdam. That values the company, controlled by the Johannesburg listed group of the same name, at nearly $1bn. It raised $163m in the issue, which it intends to use for expansion and to pay down debt. The pricing at $18 was at the top of the indicated range, and the size of the offering was increased. Thomson Multimedia of France has a stake of some 5 per cent in the company, which also listed yesterday on Nasdaq in the US. **Gordon Cramb, Amsterdam**

AIRLINES

Virgin Express plans buybacks

Virgin Express Holdings, Richard Branson's publicly-quoted low-cost airlines, yesterday won shareholder approval to buy back up to $15m of shares. An extraordinary shareholders meeting in London agreed the plan, under which the company will initially buy back up to $7m of shares. Subject to net earnings of at least $8m this year, the company would then be authorised to purchase up to the full $15m. The group – which is listed in Brussels and New York – said it expected to buy the shares in the open market from time to time. **Susanna Voyle**

TELECOMS

€119m Mobistar stake sold

A 3.34 per cent stake in Mobistar, the Belgian mobile telecoms company, was placed on the Brussels bourse yesterday in a bought deal worth €119m ($129m) managed by ABN Amro Rothschild. The shares were sold by Cobepa, the Belgian investment company. They were placed at €57.50, a 5.2 per cent discount to the previous closing price. France Telecom holds a 51 per cent stake in Mobistar, which was floated last October. **Clay Harris**

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Caja Madrid sells 3% stake in Telefónica

IF YOU WANT TO SEE SOMETHING done, just tell some human beings it can't be done. Make it known that it's impossible to fly to the moon, or run a hundred metres in nine-point-nine seconds, or solve Fermat's Last Theorem. Remind the world that no one has ever hit sixty-two home runs in a season. Stuffed eighteen people into a Volkswagen Bug. Set half the world free. Or cloned a sheep. Dangle the undoable in front of the world. Then, consider it done.

HUMAN ACHIEVEMENT

Merrill Lynch

ML.COM

Czech beer set for European revival

Foreign interest has improved prospects for the industry, reports **Robert Anderson**

Czech beer, the original Pilsner-style lager, may soon begin to punch its weight in Europe again.

Since the fall of communism, Czech beer exports have underperformed because each brewery was privatised separately rather than merged to create a national champion that could attract a foreign strategic partner.

The industry was divided into 71 breweries which fought price wars for a place in the biggest per capita market in the world. Today a quarter of the capacity is estimated to be surplus and prices have fallen in real terms to levels so low that some half-litre bottles now sell for Kcs4 (11 US cents).

But the victory of Nomura Securities, the Japanese investment bank, in its bitter two-year battle with Bass, the UK brewer, to create central Europe's biggest brewing group could lead to the sale of the new concern to an international brewer that has the money and expertise to properly market Czech beer.

The surprise decision of the Czech competition office last month to allow the merger of the country's two biggest brewers which Nomura controls will also force Bass to review its strategy in its only significant brewing investment outside the UK.

Before foreign groups showed interest in Czech brewers, the price war had pushed most breweries into losses, diverting them away from exports. The breweries did not have the critical mass to invest in marketing and sales abroad.

Beer exports fell 11 per cent last year to 1.75m hectolitres, about one-tenth of total production. The only successful exporter was Budejovicky Budvar, whose state ownership and export links built up in the communist period allowed it to stay above the domestic fray.

Bass was the first foreign brewer to try to realise the potential of Czech beer when it bought Prague Breweries in 1994 and began exporting Staropramen to Germany and its chain of UK pubs.

Bass also acquired a 33.4 per cent stake in Radegast, the second biggest brewer. It began negotiations to buy out the majority owner, Investicni a Postovni Banka (IPB), and merge the breweries into a group controlling about 30 per cent of the domestic market.

However Nomura, which became interested in the beer industry while an adviser to the Czech government, blocked the purchase. The Japanese bank had forged a close relationship with IPB – which through a web of subsidiaries controlled both Radegast and Prazdroj, the market leader – and eventually bought the troubled bank from the government for Kcs3.03bn ($85.6m) in March last year.

Nomura applied to merge the breweries but was rejected twice on the grounds that their combined 44 per cent stake would prevent free competition. However, last month the new chairman of the competition office secretly reopened the case and gave Nomura the go-ahead.

Bass has protested and threatened legal action but now seems to be only a nuisance to Nomura. Through its 34 per cent stake in Radegast, Bass can block a legal merger but not a holding company structure in which Radegast uses Prazdroj's efficient distribution network.

The decision caps Bass's disappointing experience in the Czech Republic. It has yet to make a profit with Prague Breweries, which last year crashed to a record Kcs880m loss, partly because of restructuring costs.

But Graham Staley, head of Bass in the Czech Republic, rejected speculation that the company would exit the country if it lost the case. "We could continue to focus on exports but we would probably not chase the domestic market so hard – we'd look for our niche," he said.

Nomura now stands to make back many times its purchase price for IPB when it sells the breweries. Daniel Martinu, an analyst at Patria Finance in Prague, believes the merged group could be of most interest to Heineken, Anheuser-Busch and South African Breweries.

But Nomura insists its priority is completing the merger.

"In all of Europe we see concentration," says Vladimir Perina, managing director of Prazdroj. "When the Czech Republic joins Europe in a few years it will be necessary to be big and strong in the Czech market."

In the higher-margin export business, Prazdroj will focus on selling Pilsner Urquell, the original Pilsner, to western Europe and north America. It plans to use licensed production of Gambrinus, the top Czech domestic brand, to get around import quotas in east Europe.

Currently Prazdroj uses link-ups with international brewers to sell Pilsner Urquell in western Europe but analysts such as Mr Martinu argue that only when one of them takes a strategic stake will the company be able to capitalise on the quality and tradition of Czech brewing.

Prazdroj believes last month's decision is the first step towards an export revival and it has big plans for the future. "In 1913 Prazdroj was the biggest brewery in Europe," says Mr Perina. "We want this position back."

Gaining strength: merger decision augurs well for Czech brewing

RETAILING DUTCH GROUP REVIEWS OPTIONS

Vendex might seek buyer for US toys chain

By Gordon Cramb in Amsterdam

FAO Schwarz, the prestige US toys chain, may be put up for sale. Its new owner, the Dutch retail group Vendex, is unhappy with the performance of the unit and wants to focus on Europe.

Vendex acquired the New York Fifth Avenue flagship and Schwarz's 40 other outlets as part of its takeover last year of KBB, a domestic rival.

Jan-Michiel Hessels, Vendex chairman, said yesterday a disposal of FAO Schwarz was "not impossible" and that its future would be "studied in the context of the international strategy" of his group.

He said Vendex aimed to expand in the Benelux, Germany and France: "We don't want to go too far from home."

He described profitability at Schwarz as inadequate, saying this would first have to be improved. Although no decision had yet been made on its future, the chain is the only operation which Vendex will have outside Europe.

KBB, in announcing its results yesterday for the year to January, did not specify profits at Schwarz, but said these fell sharply. That was in part a result of investments in expanding the chain, which totals 42 outlets. Its sales rose nearly 9 per cent to some $197m.

Pro-forma revenues for the merged Vendex KBB were Fl 9.2bn (€4.17bn, $4.5bn) in the latest year, up 6.7 per cent. Operating income at Fl 443m was 8.3 per cent higher, but excluding gains from property the figure at Fl 414m was ahead 52 per cent.

The group said it expected further growth this year, though both investments and the tax burden would increase.

For Vendex itself, including a two-month contribution from KBB, net earnings were Fl 278m. The Fl 1.15bn recorded for the previous year included a gain on its spin-off of Vedior, the business services side.

Vendex has also since sold its supermarkets business, in a reshape which has made it the Netherlands' largest non-food retailer.

KBB, which operates the Bijenkorf and Hema chains, achieved a turnround to net profits of Fl 98.4m, from losses of Fl 141.3m.

The merger is due formally to come into effect next month.

3i and IBJ to set up MBO arm in Japan

By Paul Abrahams in Tokyo

3i, the UK-based venture capital company, and Industrial Bank of Japan will today announce the creation of a joint venture aimed at developing management buy-outs (MBOs) in Japan.

The venture is the latest in a series by western groups to tap the MBO market at a time when many troubled Japanese corporations are looking to spin-off businesses to concentrate on core operations.

Other groups known to be targeting the MBO market include Jafco and Nomura of Japan, Schroders of the UK and a joint venture between NM Rothschild and Mitsui, the Japanese trading company.

The venture, to be called 3i-Kogin Buyouts, will be 60 per cent owned by 3i and 40 per cent by IBJ. The two companies will initially invest Y10bn ($83m), and are looking for a further Y10bn from institutional investors anxious to access the fledgling Japanese MBO market. 3i has extensive operations in Europe and an office in Singapore.

"There is huge latent potential in the MBO market," said Chris Boulton, the president of the new venture. "There are more than 40,000 companies whose owner-managers are over 60, and 13,000 whose owner-managers are over 70. In addition, the recession, deregulation, the weakening of the *keiretsu* [business groups], and increasing realisation by big companies that they need to focus, are all combining to create a fertile market for MBOs."

Junri Oda, an IBJ banker who will become managing director of the venture, said: "Big Japanese companies are realising they must make better use of capital, must manage cash-flow more effectively and adopt global standards. That creates a huge opportunity for spin-offs."

Mr Boulton compared the Japanese market with that of Germany a few years ago. "Japanese managers have been used to life-time employment, but that may be coming to an end. They may be willing to look at the higher risk-reward profile offered by MBOs." He said the market could be as large as the UK's within 20 years.

Takeover boost for France Soir

By Samer Iskandar in Paris

France Soir, once the country's best selling daily newspaper but which has fallen on hard times, was given a new lease of life this week with its sale to Georges Ghosn, the controversial media entrepreneur.

Mr Ghosn, backed by "investors who do not wish to make themselves known", is to inject FFr153m (€23.3m, $25.3m) to revive the paper, which has been losing FFr10m a month under the ownership of Socpresse, which also publishes Le Figaro, the right-wing daily.

The sale, for a symbolic FFr1, was agreed last month but held back by trade union opposition. It was finalised this week after Socpresse agreed to offer job guarantees, stretching until after the sale, to France Soir staff. The former owner also assumed more than FFr530m of France Soir's accumulated debts.

Mr Ghosn has reappointed Yves Thréard as editor.

Last year, France Soir underwent the most ambitious of a series of relaunches under Mr Thréard, who slashed its price, switched to a tabloid format and turned it into a morning paper. The initiative was welcomed by readers, but failed to boost revenues or stem declining circulation.

France Soir's circulation has declined uninterruptedly since 1961, when it sold an average 1.1m copies a day – and an all-time high of 2.2m on the day General De Gaulle died in 1970 – to 156,000 this year.

Mr Ghosn intends to raise the cover price from FFr3.90 to FFr5, increasing annual revenues by an estimated FFr25m.

Since the early-1990s, Mr Ghosn is credited with having revived the business dailies La Cote Desfossés and La Tribune. More recently, he is thought to have made a hefty profit from the sale of Le Nouvel Economiste, a bi-monthly he had run for barely two years.

The sale of France Soir will allow the Hersant family, which controls Socpresse, to restructure Le Figaro, its flagship. Le Figaro is to be relaunched in September, with "improvements, a new presentation and more modern illustrations", according to its publishers.

France Soir's mounting losses have consistently weighed on the group's development prospects, making Socpresse the subject of recurring speculations of an imminent sale.

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ENERGY HIGH HOPES AS SALE OPENS THIS YEAR'S PRIVATISATION SEASON IN BRAZIL

Comgás expected to fetch premium price

By John Barham in São Paulo

Pioneering British investors founded the San Paulo Gas Co in 1872 to light the dim streets of Brazil's coffee capital. This morning, an auctioneer will open sealed bids from a group of foreign bidders competing for Comgás, its state-owned successor, returning the company to foreign control.

Analysts expect aggressive bidding for the São Paulo state government's 52 per cent share in Comgás will push the sale premium to about 20-30 per cent over the stake's minimum price of R$896.4m ($530.3m).

The Comgás sale opens this year's privatisation season in Brazil, which economists expect to raise about $13bn-$15bn in 1999. Júlio Lapa, Comgás president, said: "The privatisation process is beginning again. This auction will be a signal to the market."

Analysts feared that January's devaluation and resulting market turbulence could threaten Brazil's privatisations this year. But a successful transaction would pave the way for other big ticket privatisations in the state, such as Cesp, the state-owned power company, and Banespa, the state bank now under federal government control.

This could help the federal government push ahead with large, complex privatisations of its own that have run into political and technical obstacles. These deals include the sale of a 36 per cent stake in Petrobras, the national oil company, the generating assets of Eletrobras, the electricity holding company, and privatisation of the fund management business of Banco do Brasil, the country's biggest bank.

Mauro Arce, São Paulo's energy secretary, said: "We are selling Comgás complete with all its assets, credits, debts and infrastructure. The buyer will have a 12-year [monopoly]."

Bidders for Comgás are expected to include Agip of Italy, British Gas, Spain's Gas Natural, Enron, the US energy group, and Royal Dutch/Shell. These groups have substantial energy investments in Brazil. Shell already owns 16 per cent of Comgás.

Comgás was a sleepy company for most of its recent history until the completion this year of a $2bn pipeline connecting São Paulo with Bolivian gasfields 3,200kms to the west. The pipeline should enable the company's new operator to boost national gas consumption to 10 per cent of total energy demand within 10 years from about 2.5 per cent in 1998. São Paulo accounts for nearly all Brazil's gas sales.

Private groups are building new gas-fired power stations to meet rising demand for power.

Merrill, Paine Webber hit highs

By Tracy Corrigan in New York

Big volumes of business and a strong underwriting performance helped both Merrill Lynch and Paine Webber Group achieve record earnings in the first quarter, boosting share prices across the securities industry sector yesterday.

Both Merrill and Paine Webber made an annualised return on equity of 24.6 per cent, slightly higher than a year ago.

In midday trading, Merrill's share price slid $1 13/16 to $98¾ on profit-taking, still below its high last July of around $108, but the stock has enjoyed a strong run since hitting a low below $36 last Autumn.

Paine Webber shares rose $3 1/16 to $46¾. Shares in Charles Schwab, another broker, rose 12 per cent and those of Donaldson Lufkin & Jenrette, which reports later in the week, surged 7 per cent, on expectations of strong earnings across the sector.

Merrill reported net earnings of $609m, up 18 per cent from the same period a year ago, and earnings per share of $1.44, beating estimates of $1.23, according to First Call.

Merrill's comeback after it suffered losses in fixed income in the second half of 1998 shows that "customer flow business can be profitable in fixed income", said Guy Moskowski, an analyst at Salomon Smith Barney.

He added that while Merrill's share price had suffered as a result of its fixed income losses during last year's market turmoil and other strategic issues, Merrill had demonstrated its "true earnings power" this quarter.

Merrill Lynch Japan Securities, which has required greater investment than expected since it was formed from the Yamaichi brokerage network more than a year ago, is performing in line with reduced expectations, with around 40,000 accounts and $4bn in assets.

Paine Webber Group reported net income of $160.6m or $1.01 per share, also substantially above expectations. Donald Marron, chairman and chief executive officer, said its recurring fee income had reached an annualised $1.05bn, beating the firm's billion dollar target for the year 2000.

Net new client assets flowed into the firm at an average of $155m per day, a 50 per cent increase from last year's first quarter.

Paine Webber plans to begin online trading to existing and new accounts this year.

Mexico set for wave of IPOs after long gap

By Henry Tricks in Mexico City

Mexico is expected to see this month a series of new equity issues, stalled since the Asian crisis of 1997, with an offering of up to $240m by Grupo Sanborn's, the retail chain formed by Carlos Slim, the billionaire magnate.

The initial public offering would mark the first equity issue in Mexico since December 1997. Analysts say it would reinforce the view that the country's buoyant stock market – which briefly touched record highs yesterday – has overcome 18 months of global financial turmoil.

"We are looking at a very attractive environment and I'm sure lots of companies will want to take advantage before this window closes," said the head of an international research firm in Mexico.

Leading the pack is Grupo Sanborn's, a retailer whose flagship restaurant chain includes a century-old venue in downtown Mexico City that is legendary.

In 1914, the revolutionary forces of General Emiliano Zapata, bearing bandoliers and sombreros, stopped there for coffee after taking the capital. Last month, another peasant militia, the ski-masked Zapatista rebels from south-eastern Chiapas state, posed for photos there during a nationwide referendum on their struggle.

Javier Larraza of Grupo Carso, the parent company of Mr Slim's web of telecommunications, retail, financial services and industrial interests, said the Sanborn's issue would raise $200m-$240m, which would go towards expansion of the restaurant chain outside Mexico City and paying down a $400m debt.

The company was being floated at an estimated value of around $1.5bn, which analysts said was a high level that would attract other issuers to market. It had sought to launch an IPO in 1997, but was put off by the Asian crisis.

Other possible issues include a package of airports in south-eastern Mexico that encompasses the popular tourist hub of Cancun. It is controlled by Copenhagen Airports of Denmark, and analysts said it could make an attractive retailing and tourism stock.

The Mexican partner, however, is Grupo Tribasa, the construction company which last month missed a $26m payment on a eurobond.

According to a spokesman for the Mexican stock exchange, there is also a "preliminary list" of 18 companies registered to launch an eventual share offering.

Coffee break: a Zapatista rebel drops in at Sanborn's Reuters

Compaq upbeat despite earnings setback

By Louise Kehoe in San Francisco

Compaq Computer is jumping on the "e-business" bandwagon as the personal computer maker transforms itself into a broad-line information systems and services company following last year's acquisition of Digital Equipment.

Just a day after Compaq's shares plunged 22 per cent following an unexpected profit warning, Mr Pfeiffer insisted that the first-quarter earnings setback would have no impact on the company's plans.

Compaq will combine the resources of Digital, which include high-power servers, software and services, with its own products and technologies to become the leader in internet computing by 2000, Mr Pfeiffer said.

Although this represents a new initiative for Compaq, the company is trailing its largest competitors – International Business Machines and Hewlett-Packard – both of which have established themselves as leading suppliers to businesses creating internet-based business operations.

However, Mr Pfeiffer said the e-business initiative was "central to Compaq's goal to be the internet computing leader". The ability fully to leverage the internet represented one of the most important challenges for information technology and business in general, he said.

Compaq's shares were trading at $24½ in mid-session yesterday, unchanged from Monday's close, following Mr Pfeiffer's presentation.

Several Wall Street analysts and other computer industry executives rejected Compaq's assertion, on Monday, that its first-quarter problems reflected an "industry-wide" price war and softening demand in the US business PC market.

In a direct response to Compaq's statement, HP said its personal computer sales were "healthy, growing and profitable". Lew Platt, chairman and chief executive, said the PC business would remain healthy for several years, generating tens of billions of dollars in revenues for HP and others.

SCP to delay bond repayment

By Ken Warn in Buenos Aires

Argentine industrial holding company Sociedad Comercial del Plata (SCP) was yesterday forced to delay a $25m bond repayment, blaming the financial crisis in emerging markets and consequent credit squeeze facing local corporations.

Fitch IBCA, the credit rating agency, immediately cut its rating on $400m of SCP debt from BBB to CCC, which implies the possibility of non-payment.

Several big Argentine companies which borrowed heavily during 1997 and 1998 for aggressive expansion programmes have faced mounting difficulties in refinancing their debts, combined with lower sales due to the sharp domestic downturn.

SCP, which at the end of last year registered debts of $780m and a net worth of $435m, has been rapidly selling off assets to reduce debt.

The company, with interests in energy, petrochemicals and the entertainment sector, has been hard hit by the fall in oil prices. Its entertainment arm has also failed to provide cash flow as expected.

"This is a purely transitory problem of liquidity," said SCP yesterday. "Borrowing has become very difficult with the current state of the markets, but this is still a company with significant assets and the opportunity of going forward."

SCP shares were down more than 12 per cent at $0.375 in afternoon trading.

SCP has contracted Merchant Bankers Asociados, said SCP president Santiago Soldati, to act as financial adviser to resolve the repayment problems, which it hopes to do by the end of May.

Argentine companies' total short-term borrowings through bond issuance rose 231 per cent last year to $3.6bn, according to a recent study by private think-tank Fundación Capital. However, in the first quarter of this year, borrowers have faced a severe credit shortage, higher interest rates, and a "crowding-out" by the public sector as the state has sought to cover its financing gap.

Cisco buys GeoTel in $2bn deal

By Roger Taylor in San Francisco

Cisco Systems, the computer networking company, is buying GeoTel Communications, the maker of call-centre software, for $2bn in stock.

The deal is part of a trend among makers of communications equipment to move into the communications software business.

It is Cisco's first move into the $3bn market for call-centre software but follows the acquisition of a number of companies with expertise in software applications for communications networks including Precept, Celsius and Summa Four.

Cisco and its leading competitors, Lucent Technologies and Nortel Networks, have all targeted the market for software to manage unified networks which can handle voice and internet communications.

GeoTel profits nearly tripled last year to $9m on revenues of $44m. Shares in GeoTel jumped 26 per cent yesterday to $55¾ while Cisco stock dropped 2 per cent to $115¾.

NEWS DIGEST

COSMETICS

Avon predicts 50% rise in first-quarter profits

Avon Products, which sells cosmetics through a network of almost 3m women, has found a silver lining in the economic clouds hanging over Brazil. Its shares rose $1⅝ to $53 – twice the level at which they traded six months ago – on news yesterday that it expected a 50 per cent jump in first-quarter operating profits from Brazil.

Avon said Brazil's economic crisis had helped it recruit more women to sell its products. Avon's unit sales in Brazil rose by an estimated 30 per cent in the first three months of the year as it kept price rises below inflation.

It advised shareholders yesterday that group earnings for the first quarter would be between 27 cents and 29 cents – compared with Wall Street expectations of 24 cents and last year's figure of 20 cents before one-off charges. **Andrew Edgecliffe-Johnson, New York**

MANUFACTURING

AlliedSignal eyes purchases

Larry Bossidy, chairman of AlliedSignal, the diversified manufacturing company, said yesterday the group was "actively evaluating" potential acquisitions in areas such as speciality chemicals, electronic materials and aerospace-related services. He added he was hopeful of finalising one or two deals by the end of the year – although, after the company's bitter and ultimately unsuccessful hostile $10bn bid battle for AMP last year, he stressed any transaction would probably be on an agreed basis.

Mr Bossidy also reconfirmed the company was giving "serious consideration" to the much-mooted sales of assets within its automotive and transportation products division, although he continued to suggest any action was likely to take place in the latter half of 1999.

The chairman's comments came as the company reported a 12 per cent increase in after-tax profits to $335m in the first quarter, with earnings per share rising 13 per cent, to 59 cents. Sales were down 1 per cent, at $3.6bn, but this largely reflected disposals, with underlying revenues rising 4 per cent. **Nikki Tait, Chicago**

COPPER

Phelps Dodge profits plunge

The lowest copper prices this century – when adjusted for inflation – caused Phelps Dodge, one of the biggest copper producers world-wide, to barely break even in the first three months of 1999. And the US company warned that, unless there were further production cuts by the industry, the depressed prices would probably continue for "several more quarters".

Under the circumstances, the company described its $500,000 profit (after tax but before the effect of accounting changes) as "satisfactory". This compared with a $163.7m profit in the first quarter of 1998, and translated into earnings per share of 1 cent, against $2.79 a year earlier. Included in the result was a $6.9m currency exchange loss related to the devaluation of the Brazilian Real, although this was offset by an asset sale gain by a Philippine affiliate.

The result was better than the market had feared. Its shares rose $1⅛ to $51⅞. **Nikki Tait**

TELECOMMUNICATIONS GOVERNMENT PROVISION MAY FAVOUR RIVAL NTT IN FIGHT FOR CONTROL OF JAPANESE CARRIER

New rule threatens C&W stake in IDC

By Michiyo Nakamoto in Tokyo

Cable and Wireless, the UK telecommunications group fighting a battle over IDC, could lose its 17.7 per cent stake in the Japanese international telecoms carrier due to a "squeeze-out" provision being added to Japan's new commercial code that takes effect later this year.

C&W is competing with NTT, Japan's dominant domestic carrier, to take control of IDC, in which C&W was a founding shareholder. The UK group has said it has no intention of relinquishing its stake in IDC, which it has held for nearly 2 decades.

Under a basic agreement signed by the founding shareholders, including Toyota, the car company, and Itochu, the trading company, the UK company has a right of first refusal which allows it to match any other offer by a non-shareholder, such as NTT.

C&W has indicated it could raise its offer, of Y62.4bn ($519m) in cash, to match that of NTT's, which is believed to be worth Y63bn.

NTT, meanwhile, has indicated it has no intention of raising its offer.

Furthermore, C&W's intention to hold on to its stake makes it difficult for NTT to acquire IDC. Under new rules that come into effect with the restructuring of the former public utility, NTT's international and long-distance arm would have to acquire 100 per cent of IDC.

But a provision allowing majority shareholders to "squeeze out" minority shareholders could mean C&W will eventually be forced to relinquish its stake in IDC.

The provision requires the agreement of two-thirds of both the acquired company and the acquiring company. Since Japan's finance ministry will still own more than 66 per cent of the NTT holding company, the Japanese government will play a large part in preventing C&W from maintaining its stake in IDC, if it agrees to the squeeze-out.

It has also emerged that the new NTT holding company, which will own 100 per cent of the three operating companies into which NTT is being restructured, could buy into IDC, rather than NTT's international and long-distance arm.

The NTT holding company is not required to acquire 100 per cent of a subsidiary, removing the need for NTT to convince C&W to sell its stake in order to acquire 100 per cent of IDC.

As long as NTT can convince IDC's other major shareholders to ignore the basic agreement and sell their stakes to it, it can take control of IDC without C&W's approval.

NTT is expected to pay for any IDC shares it acquires through a share swap, according to sources close to the company.

It is not certain that IDC's other shareholders will agree to honour the basic agreement.

Japanese sources have indicated that members of the IDC management prefer to sell to NTT.

Japanese banking crisis refuses to go away

Second stage could be starting, writes **Naoko Nakamae**

The injection of Y7,450bn ($62bn) of public funds into 15 of Japan's leading banks last month seemed to signal that the first stage of the country's banking crisis was over.

But the failure of Kokumin Bank, a second-tier regional bank, earlier this week could be a sign that the second stage has begun.

The day after Kokumin was put under the control of government-appointed administrators with a capital deficit of Y71.2bn, Kofuku Bank, a second-tier regional bank based in Osaka, admitted that its capital adequacy ratio had fallen below 4 per cent – the minimum required by the Financial Supervisory Agency, the banking regulator.

And yesterday, two of Kokumin's non-bank financial affiliates filed for bankruptcy with total debts of Y25bn. Kokugin Lease and Kokugin Mortgage Service decided they would be unable to continue doing business without the support of their de facto parent company, Kokumin, according to Teikoku Databank, a credit research company.

Such failures underscore fears that other regional banks and their affiliates could suffer a similar fate, as the FSA shifts the focus of its attention from the leading city banks to the regional banks.

The FSA is currently concluding an investigation into the financial health of the country's regional banks.

Revelations from its initial inspection of the country's city banks last year led to the nationalisation of Nippon Credit Bank and Long-Term Credit Bank, two ailing companies.

And although the shares of the leading banks have shot up since the capital injection, analysts believe their problems are not over yet.

Even Hakuo Yanagisawa, the financial reform minister, admitted last month that he "did not think that rehabilitation [of the sector] . . . had been accomplished".

For example, problems in the regional banking sector will add to the difficulties city banks are experiencing in their attempt to sell off their bad loans, as property prices collapse in Japan.

And the market is likely to be hit by further oversupply, as the authorities pressurise the regional banks into cleaning up their books and disposing of their bad loans as well.

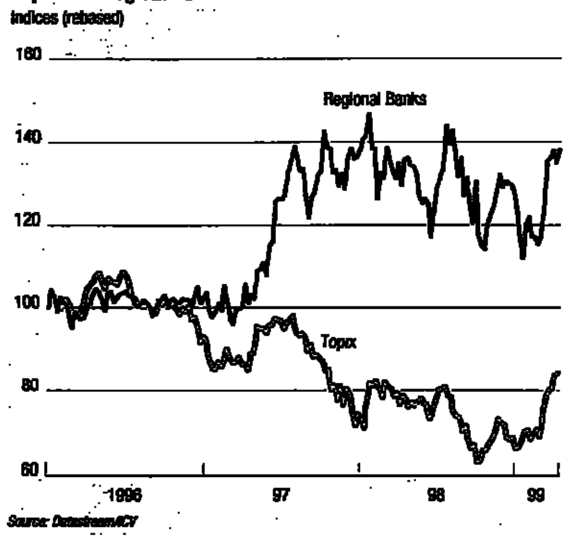
But other analysts say the problems in the regional banking sector will also provide a strategic opportunity for some of the leading banks.

"The real impact will be on the strategy side," says James Fiorillo, banking analyst at ING Baring Securities in Tokyo. "The question will be, which ones will decide to become the retail banking specialists and take a hands-on approach to the consolidation that is taking place."

Meanwhile, more regional bank failures are likely to occur as the industry becomes polarised, say industry insiders. Some warn that while there are currently more than 120 first- and second-tier regional banks, the process of realignment could bring the number down to 47 – the number of prefectures in Japan.

Other analysts say that the government needs to inject public funds into the regional banking sector. "It needs to do this quickly, [before the problem loans get any bigger]. I reckon they might need to pump as much as Y3,000bn into these banks," says Katsuhito Sasajima, banking analyst at Warburg Dillon Read in Tokyo.

Japanese Regional Banks sector
Indices (rebased)



Satyam soars on software exports

By Krishna Guha in Bombay

Satyam Computer Services, one of the stars of India's booming software services industry, has announced an 86 per cent jump in net profits for the year to March 31 to Rs728m ($17m).

Revenues doubled from Rs1.9bn to Rs3.8bn. All except Rs15m came from software exports, mainly to the US. "We have exceeded our expectations at the start of the year," said B. Ramalinga Raju, chairman.

But he warned that the growth rate would slow as the company grew in size. "Four or five years ago we were growing at more than 200 per cent," he said. "We expect to be able to grow significantly in the future, but it will be less in terms of percentages. We would be more than happy to achieve 60 per cent plus growth."

Operating expenses increased from Rs1.1bn to Rs2.3bn on higher staff costs and a sharp rise in marketing spend.

Mr Raju confirmed that Satyam's 81 per cent owned subsidiary Satyam Infoway, one of India's new private sector internet service providers, is considering an issue of American Depositary Receipts to help fund its expansion plans. The company has received approval from India's Foreign Investment Promotion Board.

Satyam's other three specialist subsidiaries, Satyam Enterprise Solutions, an enterprise resource planning (ERP) provider, Satyam Renaissance Consulting, a process consulting firm, and Satyam Spark Solutions, a product development company, will be merged into the parent with effect from the start of this financial year.

Mr Raju expects the merged entity to record revenues of Rs6.5bn this year, up from Rs4.2bn combined revenues last year. "Our emphasis is very clearly shifting from projects to progressively being a one stop solutions provider to companies all over the world," said Mr Raju. "We expect product revenues to begin to make significant contributions."

Satyam's results were in line with analysts' expectations, but the shares – which have fallen heavily in recent days after a month of fevered buying – dropped Rs37.5 to close at Rs1336. Other software stocks also fell.

TECHNOLOGY HONG KONG DEAL OPENS WAY TO CHINA

Yahoo! signs internet pact with SmarTone

By Louise Lucas in Hong Kong

SmarTone, Hong Kong's third biggest mobile phone operator, yesterday signed a pact with Yahool, the US-based internet portal company, to help expand its internet activities.

SmarTone, which last week raised HK$3.02bn (US$389.7m) through the sale of a 20 per cent stake to British Telecom, is a late entrant into Hong Kong's competitive internet market. Its service, to be launched this month, will compete with around 130 internet service providers, three of which command a 70 per cent market share.

Analysts said the alliance, under which Yahoo!'s Hong Kong operations will provide content for SmarTone's internet web site and develop further promotional programmes, would enhance the US company's global standing, especially in greater China. Yahool will provide information directories for users of SmarTone's "iSmart" web site.

Yahoo! took an early lead among internet companies in developing Chinese language content and is believed to have the third most popular internet site in China. The most frequently visited Chinese language website belongs to Hongkong Telecom, which has more than half of the Hong Kong market.

Tim Storey, telecoms analyst at Goldman Sachs in Hong Kong, said the SmarTone pact could be a stepping stone in Yahoo!'s plans to expand its Chinese language service.

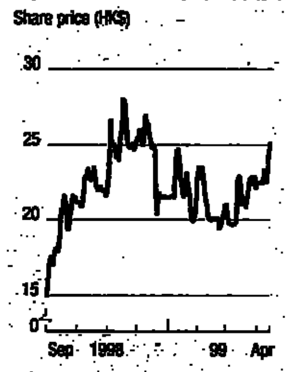
For SmarTone, the internet service will provide a further incentive for its estimated 500,000 mobile phone subscribers. Other Hong Kong telecoms companies are already offering bundled internet and telecoms services, offering low-cost internet connections to keep existing customers and attract new ones. Hong Kong already has an estimated 700,000 internet subscribers.

Hubert Ng, chief executive officer of SmarTone, said the service would initially be launched to existing subscribers to provide greater value to its mobile network. "iSmart is our latest product to serve the growing demand for internet services from our customers," he said.

SmarTone's share price yesterday rose 3.5 per cent to HK$25.10 on the deal, while other telecom and internet related stocks also rallied. Wharf, a conglomerate that recently unveiled its internet plans, has also seen its share price gain in recent weeks.

However, the valuations fall far short of US levels: Mr Storey has calculated that the market capitalisation of Wall Street's five biggest internet stocks almost matched that of the entire Hong Kong stock market.

Smartone Telecommunications
Share price (HK$)



Itochu warns of loss and steps up revamp

By Michiyo Nakamoto in Tokyo

Itochu, one of Japan's leading trading companies, yesterday warned that it would post a net loss in the year to March and unveiled plans to step up its restructuring efforts by further disposal of non-performing assets, reducing interest-bearing debt.

Itochu said it would pass its dividend for the first time in 46 years and step up asset disposals to ensure higher profitability.

It expects to report a consolidated net loss of Y34bn ($283m) rather than a net income of Y2bn as previously forecast due to extraordinary losses related to the poor performances of domestic and south-east Asian subsidiaries.

Group sales are forecast to fall 8 per cent to Y13,300bn rather than Y14,500bn as previously forecast.

The company will suffer total extraordinary losses of Y106bn of which Y51bn is due to the disposal of poorly performing assets, including real estate inventory, special tokkin and trust fund investments, Y23bn due to losses on securities and Y18bn on loan loss-reserves for overseas claims.

The majority of its reserves are related to loans and receivables in Indonesia.

The company aims to post a group net profit of Y40bn in the year to March 2001, a return on assets of 0.6 per cent and a return on equity of 10 per cent by that time.

"We are going to go through every business and decide to get out or get rid of [those which are not performing sufficiently well]," said Jay W. Chai, executive vice president.

The latest restructuring programme follows an earlier plan announced in 1997 to dispose of underperforming assets and achieve net income of Y20bn in the year to March 2001.

It comes on the heels of a downgrading by Moody's this February from Baa2 to Ba1 due to the continued deterioration in Itochu's operating and financing environment.

In particular, Moody's noted that Itochu's 1997 restructuring plan did not go far enough in addressing the group's non- and low-performing assets funded by high interest-bearing debts.

Itochu's new restructuring plan aims to reduce interest-bearing debt from Y5,250bn at the end of last March to Y3,900bn in the year to March 2001. Group assets will be reduced from Y7,530bn to Y6,200bn.

● Another trading company, Mitsubishi, said it would post Y10.92bn in appraisal losses on its stockholdings and a Y6.5bn loss on the sale of its shares in a Canadian affiliate.

However, the losses will not alter its forecast group net profits of Y34bn for the year to March, compared with Y55.55bn in net profits in the previous year.

NEWS DIGEST

KOREA

S&P cuts credit rating for debt-hit Daewoo Corp

Standard & Poor's, the US rating agency, yesterday cut the corporate credit rating of Daewoo Corporation, the mother company of South Korea's second largest conglomerate, to B- from B.

The lower rating means Daewoo will have to pay more in overseas borrowing as it struggles to service its debt, which S&P estimated more than doubled to $18bn last year from $8bn in 1997. S&P said the lower rating reflected the fact that "Daewoo faces heightened financial risks from its swelling debt burden". It warned the "rating could be lowered if the Daewoo group cannot come up with a clear strategy for turning or shedding its underperforming units, dealing with debt maturities throughout the group, and reducing borrowings to a manageable level".

Daewoo borrowed heavily in the domestic bond market last year as its cash flow weakened due to Korea's financial crisis and poor economic conditions in other emerging markets where it is concentrating its overseas operations.

Despite its financial problems, Daewoo had "increased its exposure to the competitive and challenging auto business", including its acquisition of Ssangyong Motors and proposed takeover of Samsung Motors, the agency said. **John Burton, Seoul**

AVIATION

PAL revival plan gains time

Philippine Airlines, the stricken national flag carrier, looks set to gain a little more time to seek support for its revival plan from creditors and potential investors. The Securities and Exchange Commission, the market regulator, indicated yesterday it would extend an April 15 deadline for its ruling on the plan to the end of the month or the first week in May. The move came as other creditors, including Boeing and the International Air Transport Association, the industry's umbrella body, rejected the revival plan which calls for a restructuring of PAL's $2bn debt burden and the infusion of $200m of new capital.

Further muddying the outlook for the revival plan are tensions between Lucio Tan, the Filipino-Chinese tycoon who is the majority shareholder in PAL, and the airline's new management recruited from Cathay Pacific, the Hong Kong-based carrier.

Perfecto Yasay, the SEC chairman, said yesterday the extension would allow PAL receivers more time to seek the capital injection. Under the revival plan, PAL must receive the $200m capital injection by June 4. Government officials say Mr Tan has agreed to provide the money if no other investor can be found.

Mr Yasay also said the SEC would talk with creditors opposing the revival plan later this week. These include Boeing, which rejected the plan over a dispute over PAL's refusal to recognise its claims worth $127m related to a 1996 order for seven Boeing 747-400s as part of an over-ambitious fleet expansion programme. PAL says it had cancelled the order. **Tony Tassell, Manila**

JAPAN

Fujisawa sets high targets

Fujisawa yesterday unveiled a seven-year plan aimed at allowing the Japanese drugs group to compete globally in selected therapeutic areas. The company, which recently announced Dr Hatsuo Aoki would become chief executive in June, set a goal of net income of Y40bn ($333m) on sales of Y400bn by 2005. In the year to March 31 the company expects net profits of Y18bn, compared with a loss of Y36.8bn, on sales of Y201bn, down 6.5 per cent.

By 2005, revenues would be split equally between domestic and international operations, the group said. In the year to March 1998, overseas sales accounted for 30 per cent of turnover. The group also set a target of return on equity of 10 per cent. It said it would invest Y350bn over the next seven years on research and development, equivalent to about 16 per cent of sales. That compared with 14.7 per cent invested in the 12 months to March 1998. **Paul Abrahams, Tokyo**

Kumagai Gumi profits warning

Kumagai Gumi, the Japanese contractor, yesterday issued a profits warning, underscoring the severe conditions in the domestic construction sector. The company blamed the drop in estimated earnings on a fall in private sector capital spending in the second half of the year.

Kumagai Gumi cut its estimate of non-consolidated pre-tax profits before exceptionals from Y8bn to Y7.4bn ($62m) for the year ending March 31, 1999. The company also revised down net profit forecast at the parent level from Y2bn to Y1.5bn, against a loss of Y217bn last year. Meanwhile, Kumagai Gumi raised its sales forecast at the parent level from Y890bn to Y897bn against 1,010bn last year. The company said it would skipthe dividend payment for the year to March. Shares in the group closed up 7.5 per cent or Y9 to Y129. **Alexandra Nusbaum, Tokyo**

Correction

The Financial Times April 1 article "Mitsubishi Electric launches shake-up" incorrectly stated that Mitsubishi Electric closed its German semiconductor plant. In fact, the company closed only one part of the facility's operations.

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BANKS MICHAEL O'NEILL WILL NOT TAKE ON THE ROLE AFTER HEART PROBLEM DIAGNOSED

Barclays to search again for a chief executive

By Clay Harris and George Graham

Barclays was forced to seek a new chief executive yesterday for the second time in less than five months. The US banker Michael O'Neill decided not to take up the position after being diagnosed with an arrhythmic heartbeat.

Until a successor is found, Sir Peter Middleton, chairman-designate, will continue as acting chief executive, a role he assumed when Martin Taylor left abruptly in November.

Mr O'Neill, a former Bank of America executive, was to have received £1.7m ($2.7m) in salary and guaranteed bonus in his first year, but now he will get no compensation, Barclays said.

Still, after yesterday's 46p rise in the share price to £19.19, Mr O'Neill is showing a £788,000 profit on the shares he bought in February with £5m of his own money.

In the last interregnum, Barclays received at least four approaches from potential suitors, some of which offered their managements as a dowry. Sir Peter said yesterday Barclays was, if anything, less receptive than before. "I don't think we feel we need a merger to fill the chief executive post."

The bank would look again at its original shortlist of candidates, two from outside the UK and three from the UK, including some within the bank.

"A large amount of basic winnowing has been done, so the process shouldn't take long," Sir Peter said. Where Mr Taylor's departure had left a "big hole in the system", Sir Peter said, "it's different now. The bank is visibly doing well."

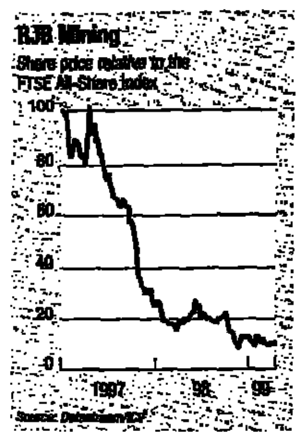
The sudden change meant, however, that the search for a new finance director had been frozen again, just when it had been narrowed to two or three candidates. Oliver Stocken has again agreed to postpone his retirement.

Barclays said Mr O'Neill, 52, had been diagnosed with a "slightly irregular heartbeat" following flu last month, well after taking the bank's customary medical examination for prospective executives. But the condition was only judged to be sufficiently serious after he suffered a black-out last week.

After Mr O'Neill's US doctors advised him against moving from San Francisco to take the job, he was examined again on Monday in London by the independent doctor who previously examined him for Barclays. He also concluded Mr O'Neill "shouldn't take the job and we shouldn't offer it to him", Sir Peter said.

COMMENT

RJB Mining



How cosy. A generator gets the all-clear for an acquisition, despite reservations from the regulator. Scarcely a week later, said generator – National Power in this case – signs a big coal deal with RJB Mining, protecting miners' jobs. Yesterday's deal, for up to 46m tonnes over five years, is a breathing space for RJB, but only a small one. An unkown chunk of that coal is in effect under option. If the government lifts its moratorium on gas-fired plants quickly, fossil fuel generators will want less coal. And the contracts lined up with the generators will not ease RJB's medium-term plight. Its market is declining. The generators took 40m tonnes of coal in 1998-99, of which RJB supplied 23m. By 2001-2002, one generator reckons that 40m will drop to about 22m. Even if imports are squeezed, RJB Will still have too much capacity.

Tesco

The Tesco juggernaut rolls on imperturbably. If anything, the tricky UK market is highlighting the retailer's strengths. Tesco is piling pressure on the opposition. Like-for-like sales rose by 4 per cent last year, well above the 1.5 per cent sector average. As a result, Tesco pushed its share of the market to 15.8 per cent, stretching its lead over struggling rival J Sainsbury.

No-one could accuse Tesco of resting on its laurels. It is moving fast into the internet and home shopping, and increasing its non-food side. The latter move is already paying off: non-food is one of the healthier bits of the supermarket business right now. The internet will take longer, but Tesco Net is winning new customers nicely. Best of all for investors, Tesco is leading the pack.

Nonetheless, there are clouds on the horizon. The biggest is the Competition Commission's enquiry into supermarket retailing. Although Tesco says this is not a worry, the fallout is potentially unpleasant. One fear is that the commission might hold Tesco back by restraining it from developing stores in districts where it is already represented. A poorer UK performance could make shareholders less enthusiastic about the costs of its overseas expansion – vital for the long-term growth story. The group's foreign investment is likely to dilute earnings by 10 per cent this year. Shareholders might baulk at this if the UK core started to misfire.

RJB deal with National Power

Contract secures market for most of its production in next few years

By Thorold Barker

Richard Budge: no immediate plans for further pit closures — Trevor Humphries

RJB Mining, Britain's largest coal producer, yesterday dispelled some of the uncertainty over its future by securing a market for most of its production in the next few years.

RJB, which had already signed contracts for its coal with PowerGen and Eastern Group, yesterday clinched a four year deal with National Power worth up to £800m ($1.29bn).

Richard Budge, RJB chief executive, said the group now had contracts for virtually all of its 25m tonnes of annual production.

He did not rule out further pit closures – Calverton Colliery in Nottinghamshire will close this week with the loss of 200 jobs – but said there were "no immediate plans".

RJB shares, which have fallen from a 12-month high of 167¼p in June, rose 5p yesterday to 67p.

The new contract, for up to 28m tonnes, is on top of the three-year deal signed with National Power in April 1998 to buy 18m tonnes of coal. The combined contracts could be worth up to £1.3bn. About 65 per cent of the volumes from the new contract are believed to be committed. The remainder, especially towards the end of the period involve options, making the period after 2001 less certain.

Mr Budge said: "I am pretty confident the bulk [of the tonnages] will be taken."

Mark Burridge, an analyst at Merrill Lynch, said: "The deal gives RJB security and breathing room for a couple of years, but longer term it still faces the challenges of tighter environmental legislation and competition from gas and imported coal, which will drive demand for UK coal lower."

Coal accounted for about 53 per cent of UK electricity generation in 1995, compared with about 34 per cent last year.

Some observers estimate this could fall as low as 20 per cent by 2002.

National Power, which is paying about 120p a gigajoule compared with an international spot price of about 100p, said the deal would give it security of supply while allowing it flexibility for the future. This is important for National Power's Drax power station, which is being sold to allow it to buy the supply business of Midlands Electricity.

Last month RJB announced a 76 per cent fall in pre-tax profits to £40.1m for 1998, as the contracts negotiated under the previous conservative government at 140p a gigajoule expired.

Tesco ahead of expectations with strong rise

By Peggy Hollinger

Tesco, the UK's largest supermarket group, yesterday reported stronger than expected trading, intensifying fears of further grim news this week from the food sector's number two player, J Sainsbury.

Tesco said same store sales in the UK last year – which averaged 4 per cent, or 2.5 per cent excluding inflation – had accelerated strongly after Christmas.

The group was announcing a 7.8 per cent increase in pre-tax profits before exceptionals to £881m ($1.42bn), on total sales up 6.3 per cent to £18.5bn for the year to February 27.

Analysts estimated Tesco had achieved like-for-like sales of almost 5 per cent in January and February, against an industry showing increases of 1-1.5 per cent.

"Tesco's sales in the last two months of their financial year look phenomenal," said one. "The risk is that Sainsbury will be trading pretty catastrophically." Sainsbury is due to report on current trading on Friday.

Terry Leahy, Tesco chief executive, hinted that although consumer spending was beginning to improve, stability in the food sector could be threatened by initiatives from weaker players. "There is a lot of stress and strain within the industry with some looking to recover," he said.

On the UK Competition Commission's investigation into food retailing, Mr Leahy said he was confident it would "confirm that we are highly competitive".

Meanwhile Tesco, also announced plans to take its trial home shopping service national. It planned to increase the number of stores delivering groceries to internet customers from 11 to more than 100 by the year end.

Tesco also said it would increase investment in international expansion this year. Group capital expenditure would rise from £1.07bn to about £1.3bn, to fund development in Europe and Asia.

Overseas sales rose by almost 25 per cent to £1.3bn, with operating profits of £48m, up 26.3 per cent.

CSG bidders seek to withdraw

By Caroline Daniel and Clay Harris

Michael Ashcroft's companies are trying to withdraw their proposed takeover bid for Corporate Services Group, after boardroom changes at the troubled recruitment company, which is valued at £209m ($336m).

Carlisle Holdings and BHI Corporation said yesterday that the Takeover Panel was considering their request. They also cast doubt on Dresdner Kleinwort Benson's claim that investors with more than 50 per cent of the shares supported the election of new CSG directors.

The Ashcroft companies made their announcement late yesterday after CSG bowed to pressure from institutional investors and called a shareholders' meeting in about two weeks.

CSG said one director had stepped down immediately, following the departure last week of Jeffrey Fowler, executive chairman, and that two more would go at the meeting.

A condition of Mr Ashcroft's proposed offer on April 1 for CSG, had been that there be no changes to the CSG board.

Since then, Mr Fowler has resigned and the leading shareholders in CSG have claimed that they have majority support for the removal of four further directors and their replacement with a new team at an emergency meeting.

Citing these changes, Mr Ashcroft's advisers approached the Takeover Panel in hopes of lapsing the bid on Monday.

Electra Fleming executives plan a £1bn fund

By Katharine Campbell, Growing Business Correspondent

Executives at Electra Fleming, managers of Electra Investment Trust, the venture capitalist fighting a £1.3bn ($2.09bn) hostile bid from larger rival 3i, are planning an independent existence, whether or not the trust is taken over.

Shareholders vote tomorrow on EIT's reconstruction proposals – a buy-back of 40 per cent of the shares and a wind-up over five years. he trust needs 75 per cent of the votes cast – a target analysts think it will not meet.

Whatever the outcome, Electra Fleming executives are hoping to raise a £1bn fund to invest in "difficult" management buy-outs of £50m-£200m.

Plans for the fund were already in progress when 3i made its initial approach in January.

Electra Fleming currently manages £400m of funds beyond the trust.

Brian Larcombe, 3i chief executive, said recently that he knew at least some Electra Fleming managers did want to join 3i, but that the group could manage the assets without the team.

Much of the argument between the two sides surrounds pay.

Friendly talks broke down, according to 3i, over plans to improve managers' incentives, whereby they invest in the shares of portfolio companies on the same favourable terms as the management buy-out team.

A report by Towers Perrin, the pay consultants, had concluded Electra had fallen behind competitors, it now emerges, and the proposal was for executives to be allowed to subscribe for 8 per cent of the trust's shares in portfolio companies, up from 5 per cent previously.

However, a person close to Electra Fleming said it was the prospect of fees on the new large fund, not the improved co-investment scheme, which was "keeping the team together".

Even if Electra Fleming executives voted with their feet, however, they would have to negotiate with 3i.

"[Mr Larcombe] may do his damnedest. But it's about culture. Electra Fleming acts as a partnership in every way. It doesn't want to be part of a huge machine," the person said.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Athelney Trust Φ	Yr to Dec 31	-	(-)	0.017	(0.027)	0.7L	(1.2)	1.15	June 7	1.1	1.15	1.1
Automotive Precision	Yr to Dec 31	26.2	(26.7)	0.32♠	(2.46♠)	6.5	(4.3)	0.3	May 31	1.1	0.6	2.1
Black (Peter)	Yr to Jan 31 ☧	196.2	(173.8)	21.8	(16.2♠)	23.7†	(18)	3.25	June 11	5.25	5.15#	7
Cirqual	6 mths to Mar 7	23.7	(23.9)	4	(5)	9.88	(12.01)	4.1	June 7	4.1	-	10.37
Glencar Mining $	Yr to Dec 31	-	(-)	2.79L♠	(0.148♠)	4.29L	(0.21)	-	-	-	-	-
Pressac	6 mths to Jan 31	93	(56.2)	4.99♠	(4.49)	3.71†	(4.52)	1.14	May 21	1.21	-	4.72
Rugby Estates	Yr to Jan 31 ‡‡	9.53	(29.7)	8.2	(3.79)	30.7	(13.8)	2.028	June 8	2.02	2.91	2.86
Smurfit (J) ♣	Yr to Dec 31	2,888	(2,571)	171♥	(150.2♥)	12.4	(9.8)	2.97	§	2.97	4.785	4.62
Tesco	Yr to Feb 27 ‡	17,158	(16,142)	842♠	(745♠)	9.14	(7.97*)	2.87	July 1	1.183*	4.12	3.868*
Tie Rack	Yr to Jan 31	90.2	(104.2)	9.25L♠	(5.08)	15.75L	(6.21)	nil	-	1.4	nil	2
Torday & Carlisle	Yr to Dec 31	19.8	(19.8)	1.5♠	(1.67)	3.8†	(6.2)	0.5	May 26	nil	0.5	nil
West Bromwich Φ	6 mths to Dec 31 ★	3.94	(4.23)	0.882L	(0.708)	1,009L†	(962)	-	-	-	-	-
Xpertise Φ	6 mths to Jan 5 ☆	-	(0.601)	0.031L	(0.397♥)	0.45L	(6.84)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Gartmore British	3 mths to Mar 31	111.5	(85.8□)	0.764	(0.491)	1.45	(0.93)	1.7■	May 28	1.468	-	5.226
London St Lawrence	6 mths to Feb 28	247.09	(224.96◆)	1.2	(1.12)	3.66	(3.43)	3.32	May 21	3.15	-	7.05
M&G High Income	9 mths to Feb 28	22.99	(27.94)	1.56	(1.96)	2.92†	(4.18)	0.98§§	May 25	0.96	-	5.2
Questor VCT	Yr to Jan 31	110.1	(107.6)	0.582	(0.698)	1.91	(2.59)	0.11	May 14	1.5	1.91	2.2875

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ☧Pro forma. †On increased capital. #For eight months. ♣Irish currency. §Already paid. ΦAim stock. ★Comparatives restated. *Equivalent after adjusting for scrip issue. ‡‡Comparatives for 13 months. ‡Comparatives pro forma. ☆Comparatives for 13 months to December 31 1998. □At December 31. ■Dividends refer to income capital. ◆At August 31. §§Third interim; makes 2.94p to date.

Jefferson Smurfit upbeat on US side

By Virginia Marsh

Jefferson Smurfit, the Irish paper and packaging group, said yesterday the outlook for its business, especially in the US, was better than it had been for some time.

"The situation is looking good on price recovery and I mean recovery because we are only getting back what we've previously given away," said Dermot Smurfit, deputy chairman.

His comments came as the group reported profits up 19 per cent to I£165m ($226m), before exceptional gains of I£6m, on sales ahead 12 per cent at I£2.89bn. Overall pre-tax profits rose to I£171m (I£150m).

The results were better than expected and the shares advanced 16p to 142p, up from 83p in October but down from 240p last May.

Jefferson Smurfit merged its US business with Stone Container last year and Mr Smurfit said the group's decision to take out capacity in the US had been followed by others. He said the US capacity and a moderate growth in demand should mean that recent price increases were sustainable.

However, Pat Barrett, head of Smurfit Europe, said conditions in the UK remained "extremely difficult" because of the downturn in UK manufacturing and the strong pound.

The problems in the UK, however, had been offset by a good performance in Europe as a whole, although the second half had been weaker than the first.

Scapa disposal to Voith for £329m

By Richard Rivlin

Scapa Group, the industrial manufacturing company, is to sell its paper machine clothing and rolls business to Voith of Germany for £329m ($530m) in a move to counteract tough trading conditions.

If shareholders approve the deal, Scapa will reduce its debt and return £120m in the form of a special 50p dividend. It will then focus on its international technical tapes business, which had sales of £200m last year. The board hopes the move will lead to a a re-rating of its shares. These were hit by three profit warnings last year, but yesterday rose 27p to 144p.

Voith, a private group, is the world's second largest supplier of plant and machinery to the paper and packaging sector. It has 12,400 employees and sales last year were DM3.7bn ($2.03bn).

Scapa's paper machine arm generated operating profits of £45.4m on sales of £263.8m in the year to March 31 1998. At the time, it had net assets of £252.9m.

David Dunn, chief executive of Scapa, said: "We will be left with the technical tapes business which has plants throughout Europe and North America and speciality materials which we will exit over the next year."

Scapa has given undertakings not to distribute £25m of the proceeds as it has been named in a series of personal injury claims in five US states with cases proceeding.

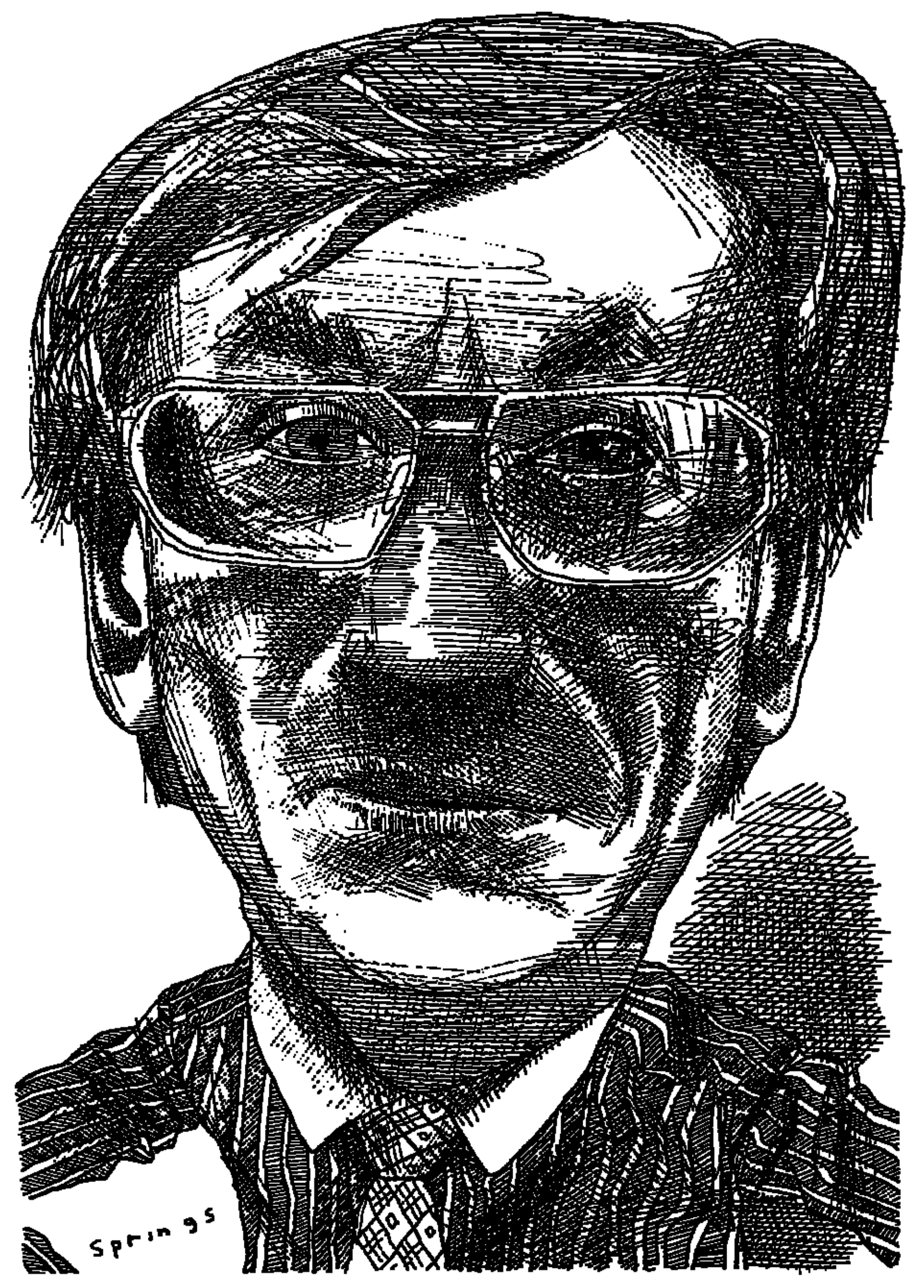
Voith was advised by Hawkpoint Partners, and Scapa by Lazards.

CONTRACTS & TENDERS

INTERVIEW SIR RICHARD SYKES

Stay healthy by getting bigger

The Glaxo Wellcome chairman is keen to secure the company's future through merger, writes **David Pilling**



Sir Richard Sykes is stooped over a monitor, his eyes eagerly running up and down a column of figures. He is looking for a share price, but not that of Glaxo Wellcome, the company he has run for four years. Instead, he is checking on SmithKline Beecham, the Anglo-American drugs group he failed to bring into Glaxo's embrace through a merger last year.

"Down 12," he says with a mischievous grin. "Not enough."

Sir Richard is joking. But few doubt that, should the opportunity arise, Glaxo's hard-edged chairman will reel in the catch that escaped his net last year.

Certainly, Sir Richard has put the industry on notice that he is seeking a mega-merger. "If an opportunity presents itself, we are going to look at it," he says.

SmithKline would fit the bill. So would a handful of others, including Bristol-Myers Squibb, the US group with which Glaxo recently held exploratory merger talks, although these are now said to have ended.

Sir Richard says the notion of an ideal partner is illusory. "That's why when you say, 'Well why the hell don't you go and do it then?' the fact is there's no perfect match. It's all a question of compromise, of what's available and what's possible. That's why it doesn't automatically happen."

Yet happen, sooner or later, it probably will. Having successfully steered Glaxo through the patent expiry of Zantac, the anti-ulcer drug on which its success was built, Sir Richard wants to ensure the company's long-term place among the industry's elite. That will almost certainly mean becoming bigger.

The largest drugs groups are huge, making up eight of the world's top 25 companies by market capitalisation. Yet none comes close to dominating the $250bn prescription drugs market; neither Glaxo, nor Merck of the US, nor Novartis of Switzerland – the three biggest companies by most counts – has grabbed more than 5 per cent of the global market.

Research is so expensive that even these giants can mount significant efforts in only a handful of disease areas. Glaxo, for instance, has very few products in cancer or in cardiovascular medicine. The situation, says Sir Richard, is "ludicrous and unsustainable".

'It's a question of compromise, of what's available and what's possible'

"There's a period of time now when big investment in research is going to pay off in the future – there's no question about that," he says. "You get a broader portfolio [of drugs], greater global reach and greater marketing power."

The performance of drugs companies, he believes, will increasingly depend on their ability to discover innovative drugs. Gone are the days when companies could pursue "me-too strategies" – as Glaxo did with Zantac – and expect governments and insurers to pay for new versions of old products.

"In the past, Glaxo would jump on to other [people's] discoveries ... but to be successful in the future, one has to drive innovation, to use modern scientific technology to come up with competitive goods that have real value."

Sir Richard says the industry is on the threshold of revolutionary change driven by tremendous advances in unlocking the causes – rather than the mere symptoms – of disease. That promises to transform the way drugs are discovered and the type of treatments possible. Scientists are racing to decode the human genome – the genetic blueprint contained in DNA – and drugs companies are scurrying to patent the biological information emanating from such research.

"It's like the scramble for Africa," says Sir Richard. "There was a period when you could go in and divide Africa up; there's now a period when you can go in and sort the human genome out."

Sir Richard and Jim Niedel, Glaxo's executive director for science and technology, believe they could fruitfully double the £1.3bn ($2.08bn) now spent on research and development.

"The driving force will be to double the R&D spend to produce a broader portfolio [of drugs] and to get greater global market share," says Sir Richard.

The flurry of recent drug industry mergers – including that of Zeneca of the UK with Astra of Sweden – has been driven by weakness, he says. The first mega-merger of two genuinely strong companies will set the drugs business alight. "Once two companies at that level get together, you will change the whole industry forever."

Getting them together is the problem. The SmithKline deal foundered because of clashes over top jobs and the suspicion that Glaxo wanted to take over its rival without paying a hefty premium.

Since the collapse of talks, in February 1998, rumours have circulated that Glaxo will try again. Many are waiting for the retirement of Jan Leschly, SmithKline's chief executive with whom Sir Richard squabbled, as the trigger for a fresh assault. Mr Leschly is likely to go before September 2000.

Sir Richard has even hinted that a hostile takeover is not out of the question, praising recent mergers in which the predator has persuaded institutions to ignore goodwill charges. "We would not let accounting practices get in the way," he says.

"I obviously don't want to give you any indication of whether it's on or off," he says of SmithKline. "All I can say is that because of our belief about the future [shape] of this industry, if the right opportunities occur we will look at them."

Besides SmithKline, Europe boasts only two companies – the Swiss groups Novartis and Roche – that come close to Sir Richard's requirements of a like-sized company that could complement Glaxo's strengths.

US pharmaceutical companies, spoilt by years of exceptional growth in their domestic drugs market, are under little pressure to merge. Two that face loss of earnings through patent expiries – the mighty Merck and Eli Lilly – have stated their intention to go it alone.

And not everyone is convinced that Sir Richard's vision is workable. Combining two R&D operations, they say, merely creates an operational headache and a bigger monster to feed.

"To put two big companies together, you're actually risking a hell of a lot," Sir Richard concedes. "Because you could argue there's no need to do it at all."

But he is sure the doubters will be proved wrong. "I think the whole future of this industry rests on investing today – sensibly of course – in the modern technology that will produce the competitive edge for the future," he says. "That is clearer to me today than ever before."

PAUL TAYLOR
IN LONDON
VIEWPOINT@FT

Privacy rules open a gulf of mistrust

The transatlantic row over data protection reveals cultural differences

Almost six months after the European Union privacy directive came into force, the gulf between US and European views on the issue of data protection remains as wide as ever.

Although both sides are reportedly working hard to make US self-regulatory regimes acceptable under the EU directive ahead of the US-EU summit in June, fundamental disagreements remain.

To a large extent these reflect deep-seated cultural differences. In particular, while most Americans distrust government, Europeans generally place little faith in industry self-regulation.

In Europe the directive has been promoted as a legitimate attempt to harmonise data protection across member states. But from a US corporate perspective, the tough controls over the "export" of personal data from within Europe are seen as an attempt to build and maintain "Fortress Europe."

Gary Clayton, a Dallas lawyer and privacy expert visiting Europe, describes the directive as "an outdated throwback to the days of the mainframe".

He claims it is already forcing some US-based multinationals, including banks, to circumvent the requirements by setting up disconnected centres in Europe to handle local customer data.

In the short term he acknowledges that may create a few more jobs, but in the longer term it will make European operations less competitive.

While there are legitimate concerns about the misuse of private information, the EU directive still appears flawed. Perhaps the continuing negotiations with the US will help focus attention on its limitations.

* * *

Technology and warfare have always been closely intertwined and information technology is no exception.

The first electronic computer was developed to crack the Nazis' Enigma code; the internet was designed as a resilient network linking US military-funded labs.

Even today the Pentagon and its European and Asian counterparts still fund much of the most advanced research in computer science. But advances in the application of technology to warfare have always raised ethical eyebrows.

When guns began to replace swords, philosophers and poets complained that the age of chivalry was dead. The machine-gun and tank were similarly condemned.

Now, the Desert Storm campaign and the conflict in Yugoslavia have prompted debate about the application of sophisticated software and computer systems to a remote control "television war".

Some technology and defence experts even suggest that future wars could be conducted almost entirely in cyberspace – by opposing teams of hackers using computer viruses and other "infowar" tactics to wreck opponents' economies and conventional war machines.

Would such an infowar conducted from the keyboard rather than the battlefield be more acceptable than a physical conflict?

Certainly most "advances" in warfare – including the atom bomb – have been justified in the past on the basis that they shorten conflict. No doubt the same will be claimed for information warfare.

* * *

Ever since European computer services company shares and profits started climbing strongly in the mid-1990s, pessimists have been looking for indications of a downturn.

Those voices have become louder in recent months as 2000 has loomed.

As Richard Kramer, Robert Smithson and Gregory Gold, Goldman Sachs' analysts and authors of the firm's latest report on European Computing Services, point out, "such a premise has been easy to postulate yet nearly impossible to prove."

Too often, the authors argue, evidence such as high levels of recurring revenues and order books covering half of current year sales have been ignored by commentators determined to latch on to "the last gasp of a 'doom and gloom' scenario."

Goldman's analysts say such negative views ignore the fundamentals. "So long as the wider economy does not take a six-month holiday, the position of third-party service vendors in fighting fires alongside companies' internal IT staff seems secure," the report says.

The authors then detail reasons why they believe there is no slowdown ahead, including the fact that not all customers have fully addressed the year 2000 computer date issues and that 'millennium bomb' work is only a small fraction of the work most IT services companies do. Thus the resolution of the millennium bomb problem should not lead to a significant shortfall in revenues.

"A clear backlog of project work is building," say the analysts. "IT development waits for no man, and companies which make efforts to rectify non-compliant systems are likely to resume projects and systems development once Year 2000 issues are laid to rest."

JOHN KAY

Playing chicken can clip your wings

Cult movies involving games of dare offer lessons for a variety of business situations

The Bodleian Library in Oxford shuts for the week after Easter. So instead of burrowing through its dusty books and periodicals, I was forced to rummage among the old videos at home. Still, there is plenty to be learnt there about business and economics.

I found much of interest in *Rebel Without a Cause*, the 1950s James Dean movie. The film climaxes in a game called chicken. Dean and his rival each drive a car towards a cliff. You win the game by jumping from the car later than the other player, but before it plunges over the precipice.

Chicken is a familiar business situation. If you blink first, you lose. But if neither of you blinks at all, you lose still more. Every negotiation has elements of chicken about it. Still, the Dean version of the game is a difficult one to analyse. To learn about the mathematics of movies, it is easier to start with the simpler version of chicken in *Stand By Me*.

Here, the two protagonists drive their cars towards each other, on a road wide enough for only one vehicle. You win the game if you drive straight ahead while your rival swerves. If you both swerve, you both look foolish. And if neither swerves, disaster lies ahead.

This, too, is a common business problem. A market opportunity is profitable if one firm goes for it: but if many firms try, all will lose money. London financial services after Big Bang deregulation were a classic chicken game. Twenty-eight firms tried market-making in gilts, for example, and so long as that number did so none could possibly make money. Only when enough had jumped, or swerved, might profits be earned.

One lesson of chicken games is that – as was true in financial services in London – it is possible to lose far more than any potential gain could ever have justified. The problem is that once you are sucked into such a game, it always seems worth spending a little more. This is often true in races for patents and innovations. Silicon Valley is full of exponents of chicken and its investors are also playing.

Perhaps we should refuse to play chicken. Yet if you stay out, you pass winning opportunities by. You can develop a strong position if you make an irrevocable commitment. If you could throw the steering wheel out of the window, you would be a certain winner in *Stand by Me*.

This is the paradox of Alexander the Great burning his boats. You can do better by restricting your options. If you cannot quit, or risk losing a reputation as a stayer, you are a formidable opponent at chicken.

But the greatest paradox is that it is often best to adopt random behaviour in chicken games. It is possible to write down the mathematics of the problem faced by the two groups of boys in *Stand By Me* and to show that, in general, a good solution for each is to swerve sometimes and to stick sometimes. You can even calculate how often you should swerve and how often you should stick.

But how to decide which option to adopt? It is a mistake to rely on any objective criteria. If you did, then your opponent might guess at how you made your decision and act accordingly. I could not find a film with the child's game of stone, scissors, paper but it illustrates the point. Stone blunts scissors; scissors cut paper; but paper covers a stone. Any predictable behaviour loses and randomness wins half the time against another random player. The only way to keep your strategy secret from others is not to know what it is yourself.

This is not a recommendation that business strategies be based on the toss of a coin, although that might be safer than some alternatives. As more and more firms think about the restructuring of the industries they are in, it is hard not to recall the observation of Josh Billings, the American humourist, that the trouble with people is not that they don't know, but that they know so much that ain't so.

Not knowing may still be better than knowing, random behaviour more profitable than rational analysis. Limiting your flexibility may yield higher pay-offs and you can lose far more from the chicken game than you could ever hope to win. Learn to play chicken in business when you must, but learn from *Rebel Without a Cause* and *Stand by Me* that it is usually better not to be playing these games at all.

The author is the Peter Moores Director of the Said Business School at Oxford University and a director of London Economics. This column appears fortnightly.

INFORMATION TECHNOLOGY WEB PUBLISHING

Taming a many-headed monster

Online news must be carefully controlled to maintain its value, says **Richard Poynder**

On the eve of last year's US elections, ABCnews.com posted fictitious test results on what it believed was a restricted-access area of its web site. To its mortification, the information was in fact accessible to the public and attracting unwelcome comment from competitors.

The error had no legal consequences and caused only temporary embarrassment to ABC. But as just one of a number of examples of private information leaking on to the web, it underlined the challenges of managing large web sites.

For newspapers, whose sites often encompass hundreds of thousands of pages and where updating can take place every few minutes, the task is a nightmare.

To address the problem, powerful "content management" systems are increasingly used at newspaper sites. They offer much more functionality than traditional web publishing tools, and usually include workflow software, streamlined web page production, and file-locking to ensure only one person can edit a web page at one time. There are also complex controls to stop sensitive information spilling into the public domain.

Last year The Chicago Tribune adopted StoryServer, developed by Texas-based Vignette Corporation. Web management has been simplified, and production staff cut by 10 per cent, despite doubling its web traffic.

"StoryServer enables us to generate many more pages, and to devote less time to routine work and more to doing creative things," says Owen Youngman, director of Chicago Tribune Interactive Media.

The new content management systems aim to exploit the web more effectively, but there is no consensus on the best method. Systems such as StoryServer and Inso's DynaBase use "dynamic publishing" techniques where all the components of a web page, including text, graphics and files such as audio or video, are generated "on the fly", instead of using static HTML pages.

However, as Leah Gentry, editorial director of new media at the Los Angeles Times, says, there is not yet a database that can serve content dynamically while handling large volumes of traffic. The LA Times chose TeamSite, a system developed by California-based Interwoven, which uses traditional "flat" HTML pages.

With content management systems costing at least $100,000 and disagreement on the best approach, some newspapers prefer to use existing tools. The Financial Times, for instance, has built on its Lotus Notes groupware to publish FT.com. "Our approach has been to integrate our own systems on top of what we have got," says Paul Maidment, editor of FT.com.

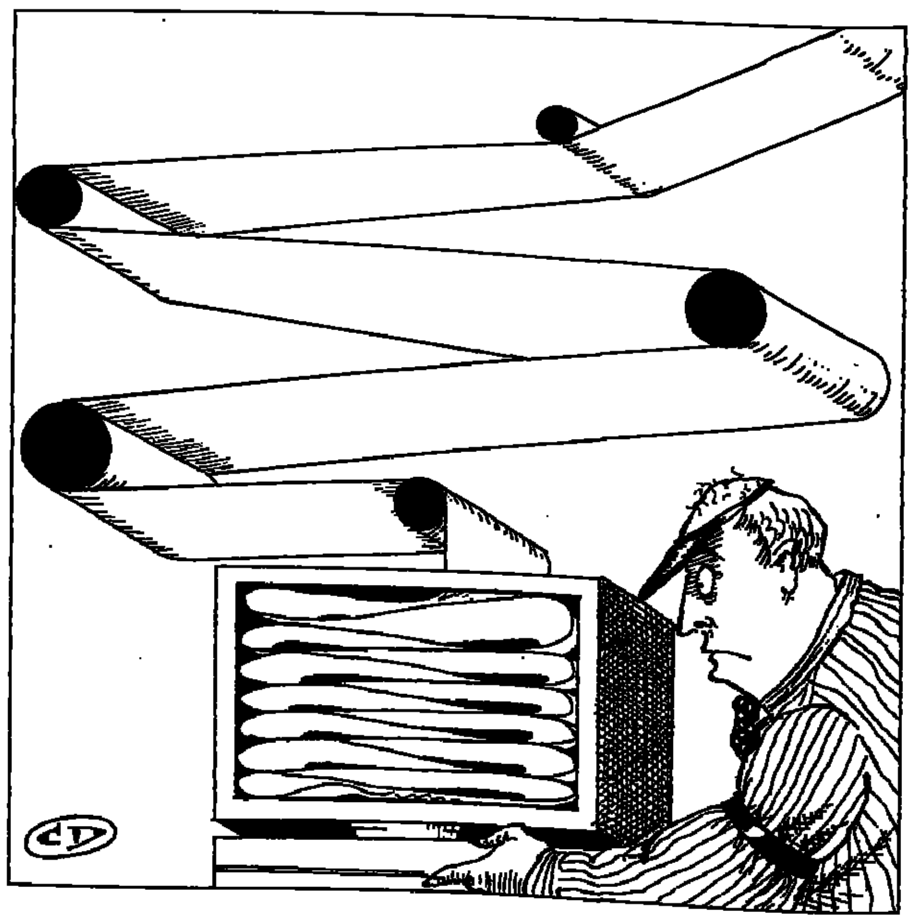
Whatever their differences, everyone does agree that publishing on the web is significantly different. As Erik Josowitz, vice-president of product marketing at Vignette, says, in print something is being produced that will be frozen in time. "The web is the exact opposite – it requires you to do lots of things in parallel, with multiple bits of information being released many times during the day."

Because the web enables newspapers to "slice and dice" their content endlessly for different audiences, content must be appropriately structured. This increasingly means adopting XML or Extensible Markup Language, which helps in creating industry-specific indexing systems.

XML will allow newspapers to personalise information for individual users more accurately.

Thanks to XML, newspapers will be able to move directly into the e-commerce chain, earning commission on sales generated from advertisements.

While finding the right technology is important, the biggest challenge for newspapers today may be an intellectual one. "What we are producing today is not a newspaper, not a web site, nor any other specific product: it is intellectual property," says Mr Maidment. Or as Mr Youngman puts it, the model now is: "Write once, publish many times."



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EURO MARKETS

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

Apr 13 National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Euro) €
FTSE Eurotop 300	1306.15	+1.28	+16.52	1.89	5.32	1350.74
FTSE Eurotop 100	3035.38	+1.30	+38.04	1.87	11.79	1092.68
FTSE Eurobloc 100	1066.87	+0.85	+8.97	1.90	1.57	1084.81
FTSE EuroMid	1285.47	+1.22	+15.28	2.71	7.58	1318.43
FTSE EuroMid Eurobloc	1218.67	+0.58	+7.03	2.50	5.32	1251.01
FTSE EuroMid Ex UK	1282.87	+0.88	+11.20	2.31	4.66	1311.32
FTSE Eurotop 300 Regions						
Eurobloc	1330.98	+0.84	+11.09	1.85	2.34	1361.97
UK	1285.97	+2.22	+27.92	2.14	10.67	1362.38
Europe Ex-Eurobloc	1291.88	+1.73	+21.93	1.92	8.31	1347.31
Europe Ex-UK	1317.88	+0.74	+9.73	1.74	2.32	1345.02
FTSE Eurotop Industry Sectors						
RESOURCES	1025.09	+0.68	+6.90	2.73	3.69	1078.54
Mining	1016.11	+2.68	+26.50	3.41	21.37	1083.10
Oil & Gas	986.98	+0.59	+5.83	2.70	2.62	1014.28
BASIC INDUSTRIES	1165.47	+1.20	+13.88	2.47	6.95	1198.00
Chemicals	889.98	+1.05	+9.22	2.40	2.93	908.96
Construction & Bld Matls	1088.50	+1.47	+15.77	2.17	3.06	1099.32
Forestry & Paper	975.02	+1.95	+18.65	3.96	38.98	1060.78
GENERAL INDUSTRIALS	1181.49	+0.46	+5.37	2.32	5.60	1212.66
Aerospace & Defence	809.34	+2.34	+18.50	2.07	3.94	824.52
Diversified Industrials	979.41	−1.11	−10.95	2.07	0.00	1001.82
Electronic & Elect Equip	1109.87	+1.58	+17.03	1.70	9.96	1126.89
Engineering & Machinery	1091.63	+0.67	+7.25	4.03	5.83	1113.08
CYCLICAL CONS GOODS	1377.93	+2.39	+32.14	2.18	0.60	1418.51
Automobiles	1017.37	+2.59	+25.66	2.22	0.53	1027.39
Household Goods & Texts	1403.04	+1.50	+20.70	2.03	0.00	1415.02
NON-CYC CONS GOODS	1245.09	+1.36	+16.74	1.47	5.81	1285.45
Beverages	931.84	+0.55	+5.06	2.45	10.32	962.59
Food Producers & Process	917.10	+2.91	+25.93	1.70	1.41	929.28
Health	1067.83	−0.72	−7.89	1.00	0.00	1103.90
Packaging	800.55	+0.12	+0.98	1.12	0.00	801.54
Personal Care & Hse Prods	1173.87	+0.61	+7.13	0.92	1.94	1185.98
Pharmaceuticals	1149.70	+1.01	+11.51	1.20	5.22	1161.32
Tobacco	1318.86	+1.66	+21.58	3.33	26.75	1368.53
CYCLICAL SERVICES	1378.80	+1.68	+22.76	1.79	5.08	1424.67
Distributors	647.94	+2.22	+14.09	1.44	0.00	655.22
General Retailers	1162.07	+1.64	+18.78	1.83	3.04	1189.44
Leisure Entertmt & Hotels	1069.21	+4.42	+45.29	1.80	8.72	1094.28
Media & Photography	1277.80	+1.48	+18.64	1.66	8.39	1298.16
Rests, Pubs & Breweries	893.83	+4.03	+34.68	2.63	3.71	924.06
Support Services	1068.82	+0.40	+4.20	1.22	2.82	1080.96
Transport	1005.72	+0.83	+8.31	2.26	5.18	1029.63
NON-CYCLICAL SERVS	1436.11	+1.24	+17.62	1.15	0.49	1478.67
Food & Drug Retailers	1114.10	+3.07	+33.18	1.68	0.51	1131.66
Telecommunications Servs	1420.15	+0.87	+12.28	1.06	0.43	1441.79
UTILITIES	1393.91	+0.84	+11.66	2.87	8.10	1486.62
Electricity	1063.87	+0.73	+7.66	3.05	5.57	1103.56
Gas Distribution	1159.34	+0.61	+7.03	1.44	8.21	1285.40
Water	875.32	+2.52	+21.53	5.15	5.94	922.41
FINANCIALS	1402.95	+1.30	+17.98	2.04	7.46	1449.50
Banks	1013.02	+1.55	+15.41	2.35	7.23	1035.55
Insurance	1029.30	+0.99	+10.10	1.32	1.91	1043.72
Life Assurance	1131.85	+0.78	+8.78	1.76	6.24	1152.89
Investment Companies	1044.30	+0.84	+8.74	2.19	0.00	1069.35
Real Estate	768.88	+0.23	+1.79	2.76	1.87	790.73
Speciality & Other Fin	1035.32	+0.61	+6.26	2.19	2.94	1055.67
INFORMATION TECH	1021.92	+2.18	+21.78	0.82	4.42	1029.29
Information Tech Hardware	1156.87	+3.04	+34.12	0.89	6.24	1166.81
Software & Computer Serv	708.64	−1.00	−7.16	0.55	0.15	710.45

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) €20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3032.0	3030.0	+60.0	3092.0	3015.0	178	5797

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) €10 per index point

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OTHER INDICES

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Unglamorous cyclical stocks coming back into fashion

Cyclicals are battling for upper hand with growth stocks, writes **Bertrand Benoit**

For the past six months, European equity markets have provided the arena for a battle between the advocates of two distinct types of stocks.

Since the end of last year, advocates of cheap cyclical, or value, stocks – unglamorous industrial and consumer issues whose volatile earnings track economic growth – have argued they were on their way back while the bull run in fashionable growth stocks – highly valued companies with a fast-rising revenue stream – was running out of steam.

Recent signs of a rally in value stocks seem to compound this view. But the more cautious analysts are still urging restraint, saying that the risks of switching from growth into value far outweigh the gains available in an uncertain economic environment.

Most industrial cyclicals did well over the first quarter. In the basic industry segment of the FTSE Eurotop 300 index, construction and building as well as forestry and paper stocks rose more than 10 per cent although chemicals fell.

Meanwhile, cyclical services outperformed the index by 2.8 percentage points, with a focus on media, hotel and leisure stocks.

Cyclical consumer goods, however, lagged following losses in automobile issues.

For sceptics, the rise was merely a blip compared with the group's near-40 per cent underperformance over the last four years.

In addition, clouded macro-economic prospects, they say, ensured the revival would be short-lived.

Stubbornly robust growth in the US and the reawakening of Asian and Latin American economies have been cited as heralding a return to export-led growth in Europe. This should be good news for cyclicals.

Investment theory proclaims that investors will move out of expensive growth stocks into cheaper cyclicals in time of accelerating gross domestic product growth, when the latter sector would receive the greater proportional benefit.

However, it is still far from certain that Europe is recovering. A pick up in French unemployment in February, the first in six months, threatens to dent the country's bouyant consumer confidence, while in Germany, surveys of business sentiment remain fairly gloomy.

Even the traditionally optimistic European Commission recently cut its pan-European 1999 GDP growth forecast to 2.1 per cent from 2.4 per cent, blaming trade difficulties and sluggish investment.

"With France, Italy, and Germany bumping along the bottom, it seems too early to consider a move into cyclicals," says James Cornish, European strategist at BT Alex Brown, who favours a more defensive strategy.

Richard Davidson, European equity strategist at Morgan Stanley Dean Witter, who advocated a move into cyclicals in January, admits that "despite the recent pick up in value stocks, investors remain worried about the state of the economy."

Many analysts think this year's rally in cyclicals has little to do with any renaissance. Mark Howdle, at Salomon Smith Barney, says the recent rise in US bond yields, one benchmark for valuing European stocks, has been a key factor in the switch from growth stocks.

With the yield on the 10-year US Treasury now above 5 per cent, against 4.6 per cent in early January, high price-earnings ratio growth stocks are looking overvalued. Such stocks depend heavily for their value on future earnings potential, but that potential has to be discounted using bond yields to get a present value for the stock; when the yield rises, the present value falls.

For Ian Scott, pan-European strategist at Lehman Brothers and a vigorous advocate of cyclicals since October, there is little correlation between accelerating GDP growth and surging value stocks.

Over the last 10 years, according to figures from Lehman, three out of five periods of cyclical outperformance took place during an economic slow-down.

What matters, says Mr Scott, is the market's perception of the economic outlook reflected in the valuation of the stocks.

Despite their recent pick-up, cyclicals remain priced for a recession in 1999, he claims, while he and other optimists are betting on a modest slow-down.

One thing defenders and critics of cyclicals agree on, however, is the risk inherent in a value-centred strategy because of the short-lived nature of cyclical rallies.

"Cyclicals typically outperform for a couple of months or quarters, but not years," says Mr Scott. "It is not a good idea to hold on to them for a long period of time."

Euro-zone coverage extended

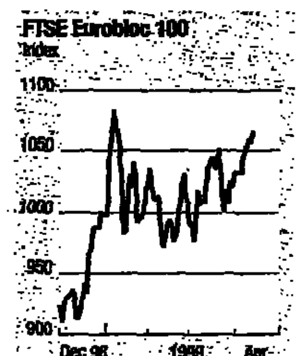
The FT today extends its euro-zone financial coverage with *a new look for this page*, which will now contain longer, analytical articles on trends in European equity, fixed income and currencies markets. The daily report on euro-zone equity markets has moved to the World Stock Markets page. The page's statistics are unchanged, with the *exception of the interest rates swaps table, which moves to* the International Capital Markets page, and Euribor and Euro Libor derivatives contracts, which now appear on the Currencies and Money page.

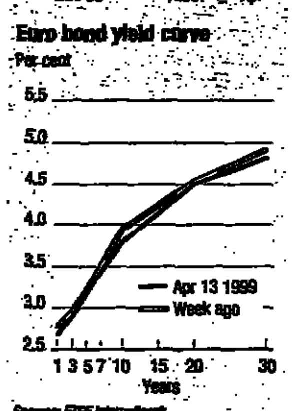
CURRENCIES, MONEY & BONDS

EURO-ZONE BONDS

Apr 13	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
SOVEREIGNS								
UK	01/01	4.250	AAA	102.850	2.59	+0.01	−0.56	−0.18
Denmark	01/02	4.750	AA+	104.285	3.08	+0.03	−0.19	+0.18
Sweden	02/01	5.000	AA+	103.625	2.91	+0.02	−0.28	+0.14
Greece	11/06	6.750	BBB	115.898	4.25	+0.04	−0.28	+0.79
SUPRANATIONALS								
ADB	10/07	5.500	AAA	109.683	4.13	+0.04	−0.32	+0.54
EIB	04/08	5.000	AAA	107.477	3.99	+0.03	−0.21	+0.29
Eurofima	12/09	5.625	AAA	111.049	4.31	+0.03	−0.31	+0.51
World Bank	04/05	7.125	AAA	118.434	3.64	+0.04	−0.21	+0.31
UTILITIES								
EDF	10/09	3.750	n/a	102.304	3.19	+0.03	−0.23	+0.14
TEPCO	02/03	4.750	AA	104.093	3.59	+0.05	−0.14	+0.54
Quebec Hydro	03/08	5.375	A+	106.903	4.42	+0.08	−0.32	+0.72
Norsk Hydro	10/99	7.250	A	101.813	3.21	−0.01	−0.31	+0.57
FINANCIALS								
Bad Wurtt	02/10	5.375	AAA	109.026	4.31	+0.03	−0.28	+0.44
OKB	09/07	5.750	AAA	112.052	4.03	+0.05	−0.16	+0.44
Credit Local	04/08	5.250	AA+	107.791	4.19	+0.02	−0.32	+0.49
Abbey Natl	01/09	5.000	AA−	103.138	4.59	+0.03	−0.26	+0.79
INDUSTRIALS								
Unilever	10/01	5.125	AAA	104.661	3.14	+0.03	−0.26	+0.37
McDonalds	03/08	5.125	AA	105.582	4.22	+0.03	−0.26	+0.52
Philip Morris	06/08	5.625	A	105.510	4.88	+0.03	−0.19	+1.16
BAT Int Fin	07/08	5.375	A−	104.386	4.65	+0.04	−0.29	+1.19
PFANDBRIEFE								
Rhein Hypo	12/01	5.500	n/a	106.161	3.02	+0.02	−0.23	+0.25
Eurohypo AG	01/04	5.000	n/a	108.997	3.38	+0.03	−0.22	+0.18
Bayer Vereins	01/06	6.000	n/a	113.172	3.75	+0.02	−0.22	+0.29
Depfa	07/08	4.750	n/a	104.638	4.13	+0.02	−0.17	+0.43
HIGH YIELD								
Sebert	04/07	10.125	B+	115.000	8.13	−0.01	−0.16	+2.54
Colt Telecom	11/07	8.875	n/a	108.255	7.86	+0.04	+0.05	+4.27
Impress Metal	05/07	9.875	B	111.500	7.13	−0.01	−0.21	+3.54
Texty Cinema	07/05	10.000	B+	105.825	8.77	−0.04	−1.23	+5.44

Standard & Poor's ratings. Source: Interactive Data/FT Information.





Source: FTSE International; Interactive Data/FT Information.

EURO SPOT FORWARD AGAINST THE EURO

Apr 13		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA
Europe												
Czech Rep.	(Koruna)	38.0430	−0.0387	180 - 680	38.1690	38.0000	38.1991	−4.9	38.4618	−4.4	39.6039	−4.1
Denmark	(DKr)	7.4312	−0.0023	273 - 351	7.4357	7.4267	7.4343	−0.5	7.4387	−0.4	7.4588	−0.4
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Thailand	(Bt)	40.8799	−0.2845	326 - 271	41.2082	40.7703	41.0001	−3.5	41.2287	−3.4	42.6538	−4.3
UAE	(Dirham)	3.9833	−0.0208	822 - 844	3.9852	3.9340	3.8720	−2.8	3.9892	−2.5	4.0730	−2.8

Euro Locking Rates: Austrian Schilling 13.7603, Belgium/Luxembourg Franc 40.3399, Finnish Markka 5.94573, French Franc 6.55957, German Mark 1.95583, Irish Punt 0.787564, Italian Lira 1936.27, Netherlands Guilder 2.20371, Portuguese Escudo 200.482, Spanish Peseta 166.386. Bid/offer spreads in the Euro Spot table show only the last three decimal places. Bid, offer, mid spot rates and forward rates are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the FT.

FTSE EUROTOP 300

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AUCTION NOTICE

UK GOVERNMENT EURO TREASURY NOTES

For auction on 20 April 1999

1 The Bank of England announces the sale by Her Majesty's Treasury of €500 million nominal of UK Government Euro Treasury Notes, for auction on a bid-yield basis on Tuesday, 20 April 1999. These Notes will add to and be fungible with the €500 million of the same security sold by auction on 19 January 1999.

2 The €500 million of Notes to be sold by auction will be dated as of 28 January 1999 and will mature on 28 January 2002. Notes will bear an annual coupon of 2.75% payable on 28 January, starting on 28 January 2000. Payment for Notes allotted in the auction will be due on 23 April 1999; the amount payable will include 85 days accrued interest.

3 The arrangements for the auction are set out in the Information Memorandum on the UK Government Euro Treasury Note programme issued by the Bank of England on behalf of Her Majesty's Treasury on 12 January 1999 (the "Information Memorandum"). This auction will be subject to the provisions of the Information Memorandum and to the provisions of this notice.

4 The auction will be open to anyone who wishes to apply. All applications must be made on the printed application forms available on request from the Bank of England or, in the case of the market makers listed in the Information Memorandum, by telephone. Completed application forms must be lodged, by hand, at the Bank of England, Customer Settlement Services, Threadneedle Street, London not later than 10.30 a.m., London time, on 20 April 1999.

5 Applications must be made on a yield basis (calculated on the basis of the actual number of days in the year and, in the case of an incomplete year, the number of days elapsed) rounded to two decimal places. Each application form must state the yield bid and the amount bid for.

6. Each application at each yield must be made on a separate application form for a minimum of €500,000 nominal. Applications above this minimum must be in multiples of €100,000 nominal.

7 Notification will be despatched on the day of the auction to applicants whose applications have been accepted in whole or in part. For applicants who have requested credit of Notes in global form to their account with Euroclear or Cedelbank, Notes will be credited in the relevant system against payment. For applicants who have requested definitive Notes, Notes will be available for collection at Customer Settlement Services at the Bank of England after 1.30 p.m. on 23 April 1999 provided cleared funds have been credited to the Bank of England's Euro Treasury Notes Account No. 59045828 with Lloyds Bank PLC, Bank Relations, St George's House, PO Box 787, 6-8 Eastcheap, London, EC3M 1LL and provided that the Bank of England has received satisfactory evidence of entitlement to collection. Definitive Notes will be available in amounts of €1,000, €10,000, €100,000 and €1,000,000 nominal. If any applicant whose application is accepted has requested definitive Notes, other applicants whose application has been accepted and who requested Notes in global form may nevertheless be required to accept definitive Notes under the rules and procedures of Euroclear and/or Cedelbank. In such event, such definitive Notes will be held by the Bank of England as the specialised depository for Euroclear and/or Cedelbank, in such denominations as the Bank of England may determine, for such applicants who requested Notes in global form.

8 Her Majesty's Treasury reserves the right to reject any or part of any auction.

9 The tender notice issued on 12 January 1999 stated that €550 million nominal of the Notes allotted to the Bank of England for the account of the Exchange Equalisation Account ("EEA") on 28 January 1999 would be held by the Bank of England for the account of the EEA with the intention that they would be sold in subsequent auctions or might be made available for sale and repurchase operations with the market makers listed in the Information Memorandum. €500 million nominal of these Notes are to be sold in the auction on 20 April 1999, will constitute a further tranche of the Notes maturing on 28 January 2002, and will be fully fungible with the Notes sold on 19 January 1999. €50 million nominal of these Notes will be retained by the Bank of England for the account of the EEA and added to the Bank's holdings of Notes which may be made available for sale and repurchase operations with the market makers listed in the Information Memorandum.

10 Copies of the Information Memorandum may be obtained from the Manager, External Debt, Foreign Exchange Division at the Bank of England (telephone number 0171 601 5982). UK Government Euro Treasury Notes are issued under the National Loans Act 1968.

Bank of England
13 April 1999

Serbian news hits European prices

BENCHMARK BONDS

By Arkady Ostrovsky and John Labate

European bond prices were hit yesterday by reports of Serbian troops crossing the border with Albania while the US bond market suffered from strong economic data and the strength of equities.

Fears of a possible spillover of the Kosovo conflict into Albania caused a brief flight to quality, according to market observers, which resulted in a steepening of the yield curve.

The 10-year German bund future fell 0.36 to 115.68 after the Organisation for Security and Co-operation in Europe said Serb forces had crossed into Albania and occupied a border post.

Greek government bonds were among the worst hit. The 10-year yield spread between Greece and Germany widened by 9 basis points to 199 basis points.

But analysts said impact of the conflict in Kosovo on bond markets was limited.

David Knott, at Deutsche Bank, said the markets would be seriously affected only if Nato decided to send ground troops to Kosovo.

European bond traders were also disappointed by the comments made by Christian Noyer, vice-president of the European Central Bank, who confirmed that last week's 50 basis point cut in euro-zone interest rates would be the last in the business cycle.

"I expect this to be the last interest rate cut in the currency cycle," he told journalist late on Monday.

The strength of stock markets also weighed on bond prices as investors continue to transfer funds from bonds into equities, analysts said.

US Treasuries weakened after the morning release of retail sales and consumer prices data.

Observers said the US economy defied sceptics once again, revealing no signs of slowing growth or increased inflationary pressure.

Retail sales were up a weaker than expected 0.2 per cent in March, but that was offset by an upward revision of sales figures for the two previous months.

The Treasury markets were particularly concerned by the upward revision of retail sales for February from 0.9 per cent to 1.7 per cent.

The consumer price index in March was better than expected, up by 0.2 per cent.

Mr Knott said the rise in oil prices may not have been registered in March figures. The core CPI, which excludes energy and food sectors, was 0.1 per cent stronger.

By early afternoon the benchmark 30-year Treasury bond was down ⅛ to 96$\frac{9}{16}$, sending the yield up to 5.485 per cent.

Among shorter-term issues the 10-year note was down $\frac{11}{32}$ to 97⅞, yielding 5.099 per cent and the two-year note was off $\frac{1}{16}$ to 99$\frac{29}{32}$, yielding 4.925 per cent.

UK gilt prices continued to weaken as further signs of economic recovery emerged. The British Retail Consortium said retail sales rose 3.9 per cent on a like-for-like basis in the year to March, the strongest performance in almost a year.

The 10-year yield spread between gilts and German bunds has widened by 13 basis points to 74 basis points over the past week as investors interpreted the 25 basis points cut in UK interest rate last week as the last one in the cycle, said Phyllis Reed at Barclays Capital. The 10-year gilt future closed 0.29 lower at 117.98.

Japanese government bond prices also fell yesterday as investors switched funds from bonds into a rallying equity market, said Joanne Collins at Daiwa Europe.

She said investors were also anxious ahead of next week's monthly 10-year bond auction, fearing the coupon on a new 10-year JGB could be lower than expected, given the low yields on Japanese bonds. The benchmark 10-year JGB future fell 0.42 to 133.56.

Corporate debt defaults rise in US

By Arkady Ostrovsky

US companies accounted for more than half of all corporate debt defaults in the first quarter of the year, while the number of emerging markets defaults fell by 65 per cent year-on-year, according to a report by Moody's Investors Service, the international rating agency.

Moody's said 19 US companies contributed $3.4bn, or 68 per cent, of total defaulted long-term corporate debt in the first quarter – up from 12 US borrowers defaulting on $1.9bn of bonds in the same period last year.

"With the US economy expanding at a somewhat slower pace and with US bond issuers being riskier than the worldwide average, we expect that the US will continue to be the primary source of corporate bond defaults in 1999." Sean Keenan, senior analyst at Moody's, said.

While the total number of of defaulting companies fell from 33 to 27 year-on-year in the first quarter, the number of rated companies defaulting doubled from 10 to 20 and the total defaulted debt was up from $4.3bn to $5.1bn.

There were only six emerging markets defaults in the first quarter, compared with 17 emerging markets defaults in the same period last year.

Among US companies, Favorite Brands International was the largest defaulter, on $395m of debt, while defaults from emerging market countries included two shipping companies based in Greece, and Unexim Bank, once one of Russia's largest financial institutions.

Tussauds to securitise ticket sales

By Khozem Merchant

Tussauds Group, which includes the world famous Madame Tussauds wax works museum and the Alton Towers theme park, is to launch a £230m bond securitised on ticket and merchandise sales in the first asset-backed offering by a European leisure group.

The offering will be split into £170m single A rated and £60m triple B rated fixed-rate tranches of medium and long-term maturities up to 25 years.

BT Alex Brown, which is lead-managing the issue, started a roadshow for investors this week and pricing will take place at the end of this month.

Separately, bankers have arranged a £40m "seasonal revolver" loan facility for the group. This is a credit line designed to even out the seasonal peaks and troughs of the business.

Tussauds, some of whose theme parks are closed for up to four months a year, would be able to draw on this credit line during the winter, when business is less busy, and reimburse in the summer, when business is brisk, said bankers.

Tussauds Group, which also takes in the London Planetarium, the Rock Circus in Piccadilly, Chessington World of Adventure, Thorpe Park and Warwick Castle, was sold by Pearson, the media group that owns the Financial Times, to Charterhouse Development Capital for £352m in October last year.

The group also boasts attractions in Amsterdam and plans to opens wax work museums in Las Vegas and New York in the US.

The leisure group's bond offering is the latest in a series of securitisations by UK borrowers.

Property company British Land said this week it was launching a £1.54bn bond supported by the cash-flows such as rentals from properties at its Broadgate complex in London, the largest deal of its kind.

It was preceded by several smaller structured financings by nursing homes and pub groups including Welcome Break, Roadchef and the Unique Pub company.

Tussauds Group, like British Land, was keen to secure long-term financing at current low rates, a consequence of the historic low gilt yields that have reduced the cost of funds.

"From a financing point of view, normal leverage buyouts are done on seven to 10-year financing instruments," said an official close to the deal. "With this securitised bond, we can extend beyond 10 years. To access that you have to show you have businesses that have a long-term future."

Madame Tussauds, which is more than 100 years old, reported annual compound growth of 12 per cent during the 1990s. However, in terms of revenues, Alton Towers is the top performer in the group.

"Because our business is a long-term one, we are able to ask investors to take a long-term view that is not often possible in, say, high-tech or manufacturing, where the business cycles are different," said an official.

IDB issues $1bn global bond

NEW ISSUES

By Khozem Merchant

The Inter-American Development Bank led the dollar issuance market yesterday with a $1bn global bond, one of several in the US currency recently.

Bankers said the appeal of the IDB offering, which was lead-managed by Morgan Stanley Dean Witter and Lehman Brothers, was enhanced by the improved sentiment surrounding Latin America after recent turmoil following the devaluation of the Real by Brazil.

This resulted in a larger than usual placement among US investors (about 30 per cent). The pricing, at a yield spread of 65 basis points over US Treasuries, also offered a small pick-up against US agency paper.

European investors were the largest single buying group, followed by US and Asian investors.

Bankers said the appetite for dollar paper was helped by other factors, such as evidence of renewed demand after the Easter holidays.

This broadly coincided with the Japanese year-end and reassessments by Japanese buyers, which are traditionally active investors in the 10-year sector, and central banks from other Asian countries, which are regular buyers in the five-year maturity band.

The European Investment Bank, which launched a five-year $1bn bond earlier this week, followed up yesterday with a £200m re-opening of a 10-year bond originally launched last October.

Salomon Smith Barney lead-managed the original issue and yesterday's reopening. The bond was priced to yield 59 basis points over the relevant UK gilt and traded unchanged after the launch.

The Korea Development Bank will continue the rehabilitation of Asian credit in general and South Korean credit in particular, when it launches the first international bond since the country's investment grade credit rating was restored earlier this year.

Chase Manhattan and JP Morgan are lead-managing the $1bn global issue of five-year maturity, which is likely to be launched today and priced tomorrow.

Bankers close to the deal say the bond is likely to be priced to yield 30 to 50 basis points over Korea's 2003 global bond launched in February last year, which yesterday was trading at 200 basis points over US Treasuries, compared with 345 basis points at launch.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Freddie Mac(a)★	3bn	(a1)#	(a1)R	Jan 2004	0.10R	(a1)(Feb04)	Goldman/JPM/Salomon
Assocs Corp of N America	1.5bn	(b)#	(b)R	Apr 2004	0.35R	(b)(4⅜Feb04)	Bear Stearns/Goldman
Inter-American Dev Bank	1bn	5.625#	99.022R	Apr 2009	0.325R	+65(4¾Nov08)	Lehman/Morgan Stanley
Rams, 99-6E, Cls A1(c1)‡	125	(c1)	100.00	Oct 2002	0.15	-	JP Morgan Securities
Rams, 99-6E, Cls A2(c2)‡	350	(c2)	100.00	May 2005	0.20	-	JP Morgan Securities
Coca-Cola Company	350	5.75	99.73	Apr 2009	0.35	+65(4¾Nov08)	Warburg Dillon Read
EUROS							
Charbonnages de France(f)	500	4.125	99.023R	Apr 2010	0.35R	+27(l)	ABN Amro/Paribas
Bayerische Handelsbank(p)‡	200	(d,s)	100.05R	Oct 2000	0.05R	-	CDC Marchés/HypoVB
Commerzbank AG(g,e)	100	4.75	100.368R	Apr 2009	0.40R	+90(3¾Jan09)	Cmmrz/MSDW/Warburg
STERLING							
European Inv'ment Bank(h)	200	5.50	103.51	Dec 2009	0.325	+60(5¾Dec09)	Salomon Smith Barney

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Fungible with $3bn. Plus 91 days accrued. a1) Priced today. b) Priced later 78-80bp over Treasuries. c) Rams Mortgage Corporation Ltd. Secured on Australian residential mortgages. Legal maturity: 10/5/33. 20% cleanup call. c1) Average life: 2.7 yrs. 3-mth Libor +19bp to May 05, then +40bp if not called. c2) Av life: 5.3 yrs. 3-mth Libor +25bp to May 05, then +50bp if not called. c3) Also issued: Class B, $25m, 3ML +70bp to call, 6 yrs, par. d) 6-mth Euribor -2bp. e) Spread relates to German govt bonds. f) Spread re French govt bonds. g) €400m subordinated issue launched 7/4/99 increased to €500m. h) Fungible with £450m. Plus 165 days accrued. l) Over interpolated yield. p) Oeffentliche Pfandbriefe. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Apr 13	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	106.7279	4.67	+0.07	−0.09	−0.37	−0.21
	08/08	8.750	125.3025	5.28	+0.10	−0.02	−0.29	−0.25
Austria	03/01	5.250	104.4800	2.79	+0.01	−0.08	−0.33	−1.34
	01/08	5.000	107.5300	3.96	+0.04	−0.09	−0.20	−0.97
Belgium	03/01	5.000	104.0300	2.83	+0.02	−0.09	−0.27	−1.29
	03/09	3.750	97.2100	4.10	+0.04	−0.04	−0.17	−0.83
Canada	12/00	5.000	100.5799	4.62	−	−0.12	−0.44	−0.26
	06/08	6.000	107.9000	4.91	+0.02	−0.04	−0.27	−0.35
Denmark	11/00	9.000	108.8800	3.09	−0.01	−0.10	−0.35	−1.30
	11/09	6.000	115.2800	4.18	+0.01	−0.11	−0.28	−0.88
Finland	08/00	4.000	101.4500	2.72	−	−0.13	−0.28	−1.03
	04/09	5.000	107.7420	4.04	+0.02	−0.13	−0.22	−0.79
France	07/00	4.000	101.5600	2.88	−0.01	−0.13	−0.34	−1.41
	04/06	7.250	123.0700	3.49	+0.05	−0.06	−0.22	−1.15
	04/09	4.000	100.5200	3.94	+0.04	−0.06	−0.19	−0.93
	04/29	5.500	110.1300	4.85	+0.05	−0.06	−0.18	−0.54
Germany	05/01	5.000	104.3900	2.80	+0.02	−0.08	−0.21	−1.17
	01/06	6.000	114.1000	3.59	+0.03	−0.07	−0.23	−1.09
	01/09	3.750	99.4500	3.82	+0.04	−0.08	−0.20	−1.03
	07/28	4.750	99.1200	4.81	+0.05	−0.06	−0.19	−0.58
Greece	03/00	9.600	100.8600	8.95	−0.15	−0.21	−0.20	−0.90
	01/09	6.300	103.6500	5.80	+0.02	−0.12	−0.10	−2.55
Ireland	10/01	6.500	108.5800	2.90	+0.02	−0.06	−0.27	−1.91
	08/06	6.000	115.9000	3.93	+0.03	−0.10	−0.27	−1.08
Italy	07/01	4.500	103.3800	2.90	−	−0.10	−0.23	−1.60
	07/03	4.500	104.9500	3.24	+0.03	−0.06	−0.23	−1.47
	05/09	4.500	103.7100	4.05	+0.04	−0.09	−0.16	−0.88
	11/27	6.500	121.7000	5.06	+0.06	−0.07	−0.13	−0.47
Japan	12/00	6.900	111.1480	0.20	+0.03	−0.03	−0.06	−0.36
	12/03	4.100	115.2350	0.77	+0.03	−0.12	−0.16	−0.39
	06/08	1.800	102.7880	1.48	+0.05	−0.16	−0.24	−0.16
	09/18	2.300	99.1870	2.35	+0.03	−0.17	−0.29	−0.16
Netherlands	01/01	9.000	110.3700	2.80	+0.05	−0.08	−0.27	−1.30
	07/09	3.750	98.0900	3.98	+0.04	−0.07	−0.17	−0.85
New Zealand	02/01	8.000	105.5347	4.75	−	−	−0.29	−3.18
	07/09	7.000	110.1393	5.68	+0.05	−0.04	−0.23	−1.24
Norway	05/01	7.000	104.5800	4.66	-	−0.06	−0.23	+0.34
	05/09	6.500	108.4500	4.68	+0.05	−0.11	−0.29	−0.53
Portugal	03/00	5.375	102.3200	2.79	+0.02	−0.10	−0.15	−1.42
	06/08	5.375	109.7400	4.08	+0.05	−0.08	−0.14	−0.92
Spain	01/01	5.000	103.8700	2.74	+0.08	−0.08	−0.24	−1.52
	07/09	0.000	107.3700	4.09	+0.05	−0.25	−0.41	−0.83
Sweden	05/00	10.250	107.3487	2.98	−	−0.04	−0.32	−1.68
	05/08	6.500	117.5140	4.14	−0.04	−0.13	−0.24	−1.02
Switzerland	06/00	4.500	103.7500	1.16	+0.03	−0.14	−0.27	−0.74
	01/08	4.250	116.5500	2.15	+0.03	−0.11	−0.04	−0.80
UK	11/01	7.000	105.1000	4.88	+0.05	+0.13	−0.03	−1.72
	12/03	6.500	107.7800	4.62	+0.06	+0.09	−0.07	−1.23
	12/09	5.750	111.2100	4.42	+0.03	−0.01	−0.13	−1.33
	12/28	6.000	125.8500	4.43	+0.01	−0.02	−0.12	−1.24
US	01/01	4.500	99.2179	4.96	+0.02	−0.01	−0.06	−0.64
	02/04	4.750	98.8766	5.01	+0.06	+0.03	−0.07	−0.71
	11/08	4.750	97.3426	5.10	+0.05	−0.03	−0.08	−0.63
	02/29	5.250	96.4044	5.50	+0.05	−0.02	−0.04	−0.48

London closing * New York mid-day. Source: Interactive Data/FT Information. Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Apr 13	Bid Yield	Spread vs Euros	Spread vs T-Bonds		Bid Yield	Spread vs Euros	Spread vs T-Bonds
Australia	5.30	+1.50	+0.20	Netherlands	3.94	+0.14	−1.16
Austria	3.99	+0.19	−1.11	New Zealand	5.67	+1.87	+0.57
Belgium	4.09	+0.29	−1.01	Norway	4.68	+0.88	−0.42
Canada	4.92	+1.12	−0.18	Portugal	4.08	+0.28	−1.02
Denmark	4.16	+0.36	−0.94	Spain	4.04	+0.24	−1.06
Finland	4.04	+0.24	−1.06	Sweden	4.20	+0.40	−0.90
France	3.93	+0.13	−1.17	Switzerland	2.38	−1.42	−2.72
Germany	3.80	−	−1.30	UK	4.47	+0.67	−0.63
Greece	5.84	+2.04	+0.74	US	5.10	+1.30	−
Ireland	3.96	+0.16	−1.14				
Italy	4.07	+0.27	−1.03				
Japan	1.59	−2.21	−3.51				

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Apr 13	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB−	92.5500	10.06	−0.08	+1.48	+5.09
Poland	07/04	7.125	BBB−	104.0000	6.19	+0.05	−0.27	+1.18
Russia	06/07	10.000	n/a	32.3000	36.16	−2.35	−5.80	+31.10
LATIN AMERICA								
Argentina	09/27	9.750	BB	87.8400	11.16	−0.20	−0.61	+5.70
Brazil	05/27	10.125	B+	78.7100	12.97	−0.49	−2.39	+7.51
Mexico	05/26	11.500	BB	119.0000	9.53	−0.28	−0.98	+4.09
ASIA								
China	07/06	7.750	BBB+	103.5297	7.10	−0.04	−0.57	+2.05
Philippines	10/16	8.750	BB+	95.0000	9.34	−0.07	−0.51	+4.10
Thailand	04/07	7.750	BBB−	103.2386	7.21	+0.06	−0.37	+2.15
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB−	101.6717	7.65	+0.06	+0.33	+2.74
South Africa	10/06	8.375	BB+	100.1369	8.35	+0.25	−0.22	+3.30
Turkey	09/07	10.000	B	94.0000	11.11	−0.19	−0.58	+6.05
BRADY BONDS								
Argentina	03/23	5.750	BB	71.8750	8.65	−0.06	−0.29	+3.47
Brazil	04/14	5.000	B+	67.7500	12.37	−0.42	−1.70	+7.17
Mexico	12/19	6.250	BB	80.3750	8.24	−0.08	−0.30	+2.94
Venezuela	03/20	6.750	B+	69.6250	10.32	−0.34	−0.82	+5.00

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

NOTIONAL EURO BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	96.59	96.34	−0.31	96.69	96.20	32,388	74,755
Sep	−	96.18	−0.31	−	−	−	−

LONG TERM EURO BOND OPTIONS (MATIF)

Strike Price	Calls May	Calls Jun	Calls Jul	Puts May	Puts Jun	Puts Jul
93	-	2.73	2.84	-	0.02	0.14
94	-	1.79	1.98	-	0.08	0.28
95	-	0.96	1.25	-	0.25	0.54
96	-	0.37	0.68	-	0.66	0.97

Est. vol. total, Calls 25 Puts 26. Previous day's open int., Calls 7,250 Puts 4,906.

Germany

NOTIONAL EURO BUND FUTURES (EUREX) €100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	116.00	115.68	−0.43	116.08	115.55	558,240	558,990
Sep	115.93	115.67	−0.28	116.04	115.75	1,661	17,871

NOTIONAL EURO BUND (BOBL) FUTURES (EUREX) €100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	109.65	109.55	−0.11	109.68	109.51	198,102	261,510

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	115.04	114.79	-0.32	115.06	114.69	8026	37181

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	99.41	99.10	−0.38	99.43	98.95	21,570	16,231

UK

NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	108.18	-0.06	-	-	0	0
Sep	-	108.16	-0.06	-	-	0	0

NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	118.17	117.98	-0.29	118.44	117.90	22980	82430
Sep	-	117.70	-0.27	-	-	0	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
11700	1.48	2.08	0.50	1.38
11750	1.17	1.81	0.69	1.61
11800	0.89	1.57	0.91	1.87
11850	0.69	1.34	1.21	2.14
11900	0.51	1.15	1.53	2.45
11950	0.33	0.97	1.85	2.77

Est. vol. total, Calls 430 Puts 220. Previous day's open int., Calls 11792 Puts 8180

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	123-02	122-25	−0-09	123-09	122-23	207,914	557,703
Sep	122-23	122-10	−0-09	122-26	122-10	4,751	40,986
Dec	122-00	−	−	−	−	477	3,599

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	133.56	133.39	-	133.60	133.39	994	n/a
Sep	-	132.53	-	-	-	0	n/a

Euro

€ BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	109.90	109.31	−0.84	109.90	109.90	1	20

NOTIONAL EFB SWAP FUTURES (LIFFE)* 5yr 4.0% €100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	102.24	-0.10	-	-	0	214

NOTIONAL EFB SWAP FUTURES (LIFFE)* 10yr 4.5% €100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	101.91	-0.25	-	-	0	367

* Traded on APT prior to listing on LIFFE CONNECT™ on 10/5/99. All open interest figs. are for previous day

INTEREST RATE SWAPS

Apr 13	Euro-€ Bid	Euro-€ Ask	£ Stg Bid	£ Stg Ask	SwFr Bid	SwFr Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	2.74	2.77	5.33	5.36	1.20	1.24	5.19	5.22	0.23	0.26
2 year	2.86	2.90	5.37	5.40	1.47	1.55	5.36	5.39	0.34	0.37
3 year	3.04	3.08	5.41	5.45	1.75	1.83	5.47	5.50	0.54	0.57
4 year	3.24	3.28	5.41	5.45	1.99	2.07	5.55	5.58	0.75	0.78
5 year	3.43	3.47	5.38	5.42	2.21	2.29	5.61	5.64	0.98	1.01
6 year	3.62	3.66	5.35	5.39	2.42	2.50	5.67	5.70	1.21	1.24
7 year	3.80	3.84	5.32	5.36	2.61	2.69	5.72	5.75	1.42	1.45
8 year	3.97	4.01	5.31	5.35	2.79	2.87	5.76	5.79	1.61	1.64
9 year	4.11	4.15	5.30	5.34	2.96	3.04	5.81	5.84	1.76	1.79
10 year	4.21	4.25	5.29	5.33	3.10	3.18	5.85	5.88	1.90	1.93
12 year	4.37	4.41	5.30	5.35	3.34	3.44	5.92	5.95	2.14	2.17
15 year	4.58	4.62	5.32	5.37	3.59	3.69	6.03	6.06	2.38	2.42
20 year	4.80	4.84	5.32	5.37	3.84	3.94	6.12	6.15	2.57	2.61
25 year	4.92	4.96	5.31	5.36	3.95	4.05	6.13	6.16	2.65	2.69
30 year	4.97	5.01	5.31	5.36	4.04	4.14	6.14	6.17	2.70	2.76

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months Libor, £ and Yen quoted on a semi-annual actual/365 basis against 6 months Libor, Euro/Swiss Franc quoted on annual bond 30/360 basis against 6 month Euribor/Libor with the exception of the 1 year rate which is quoted against 3 month Euribor/Libor. Source: Intercapital Europe Limited.

US CORPORATE BONDS

Apr 12	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA−	104.8335	5.58	+0.04	−0.11	+5.58
NY Tel	08/25	7.00	A+	100.1078	6.98	−	−0.09	+1.53
CWE	05/08	8.00	BBB	113.7399	6.01	+0.01	−0.19	+0.97
FINANCIALS								
GECC	05/07	8.75	AAA	118.7405	5.81	−	−0.20	+0.77
Banc One	08/02	7.25	A	104.4679	5.73	+0.03	−0.10	+5.73
CNA Fin	01/18	6.95	A−	95.4515	7.40	+0.01	−0.20	+1.95
INDUSTRIALS								
WMX Tech	04/99	6.25	BBB+	100.0000	5.39	−0.14	−0.33	+0.81
Wal Mart	05/02	6.75	AA	103.9922	5.32	+0.04	−0.10	+5.32
Dayton Hud	06/21	9.70	A−	132.9429	6.80	+0.01	−0.03	+1.35
AGENCIES								
FHLMC	04/07	7.14	N/A	109.1488	5.69	−	−0.11	+0.65
SLMA	03/00	7.50	N/A	102.1102	5.07	−0.01	−0.16	+0.65
FNMA	02/18	8.95	N/A	132.9873	6.00	+0.01	−0.08	+0.55
FFCB	06/06	8.95	N/A	119.1735	5.64	−	−0.08	+0.60
HIGH YIELD								
Stone Cont	02/01	9.88	B	101.8750	0.00	−	−	−
AK Stl	12/01	9.13	BB−	107.0000	0.00	−	−	−
Pacalta	06/04	10.75	B−	98.0000	0.00	−	−	−

NY latest. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

INTERNATIONAL BONDS

Apr 13	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
$								
EIB	04/07	7.250	AAA	109.0894	5.80	+0.08	−0.08	+0.74
ABN Amro	06/07	7.125	AA−	104.8581	6.34	+0.05	−0.07	+1.28
Quebec	01/07	7.000	A+	106.0737	6.01	+0.06	+0.02	+0.95
Citicorp FRN	02/04	5.066	AA−	99.5971	5.16	+0.06	−0.11	+0.15
C$								
Bayer L-Bk	08/04	9.500	AAA	118.9395	5.31	−0.02	−0.38	+0.22
Toronto (M of)	05/04	8.500	AA+	113.9852	5.30	−0.01	−0.34	+0.21
Bell Canada	07/99	10.625	A+	101.2626	5.05	−	−0.48	+1.28
Deutsche B FRN	09/02	5.875	AA+	101.4232	5.41	−0.01	−0.32	+0.46
£								
EIB	12/07	7.625	AAA	116.0500	5.26	+0.03	−0.03	+0.66
Dresdner Bk	12/07	7.750	AA−	111.4869	6.00	+0.03	−0.06	+1.40
British Gas	03/00	7.625	A+	101.8000	5.62	+0.03	+0.02	+0.73
Abbey Nat FRN	02/02	5.587	AA	99.9948	4.91	+0.03	+0.52	+0.18
SFR								
EIB	01/06	3.750	AAA	104.8325	3.11	+0.02	−0.05	+0.92
Brit Columbia	02/02	3.250	AA	104.1658	1.74	+0.01	−0.19	+0.24
Hydro-Quebec	05/01	6.750	n/a	108.9732	2.31	−	−0.26	+1.02
Gen Elect.	09/01	1.280	n/a	99.7375	1.30	+0.01	−0.22	+0.01
YEN								
IBRD (World Bk)	03/02	5.250	AAA	114.0656	0.41	+0.03	−0.06	−0.03
Spain (Kingdom)	03/02	5.750	AA+	115.4881	0.43	+0.03	−0.09	−0.01
Cred Foncier	08/02	4.750	A	112.4749	0.91	+0.03	−0.08	+0.47
Italy (Rep of)	07/99	0.516	AA	100.0215	0.14	+0.07	−0.05	+0.01
A$								
IBRD (World Bk)	02/08	6.000	AAA	103.5424	5.48	+0.10	−0.32	+0.22
Nw Sth Wales Tr	05/06	6.500	n/a	105.5784	5.53	+0.11	−0.29	+0.36
S. Aus Gov Fin	08/03	7.750	AA	108.3641	5.46	+0.09	−0.36	+0.57
GMAC Aust	05/01	9.000	n/a	107.2568	5.25	+0.06	−0.42	+0.56

London closing. Standard & Poor's ratings. Yields: Local market standard/Annualised basis. Source: Interactive Data/FT Information

US INTEREST RATES

Latest

Prime rate	7¾	One month	-	Two year	4.94
Broker loan rate	6½	Two month	-	Three year	4.95
Fed.funds	4$\frac{13}{16}$	Three month	4.30	Five year	5.00
Fed.funds at intervention	-	Six month	4.49	10-year	5.09
		One year	4.63	30-year	5.48

Treasury Bills and Bond Yields

UK BONDS

FTSE Actuaries Government Securities

Price Indices UK Gilts	Tue Apr 13	Day's chge %	Accrued interest	xd adj ytd	Total Return	Yield	Duration Years	% Weight
1 Up to 5 years (15)	121.27	−0.09	2.43	2.25	1209.96	4.79	2.30	33.27
2 5-10 years (11)	171.06	−0.17	2.95	2.07	1341.48	4.59	5.82	29.62
3 10-15 years (7)	185.76	−0.18	2.21	1.44	1465.47	4.53	8.66	13.68
4 5-15 years (18)	175.33	−0.17	2.73	1.88	1377.04	4.56	6.72	43.28
5 Over 15 years (4)	232.87	−0.09	3.89	1.23	1591.55	4.52	11.85	22.67
6 Irredeemables (4)	325.55	−0.25	4.19	2.21	1902.26	4.64	21.75	0.79
7 All stocks (41)	166.33	−0.13	2.88	2.03	1362.71	4.57	6.52	100.00

UK Indices

Index-linked	Tue Apr 13	Day's chge %	Accrued interest	xd adj ytd	Total Return	% Weight
1 Up to 5 years (2)	226.55	−0.02	1.42	1.26	1183.09	14.60
2 Over 5 years (9)	268.30	−0.07	1.11	2.74	1460.67	85.40
3 5-15 years (5)	248.78	−0.05	1.15	2.32	1348.36	42.64
4 Over 15 years (4)	286.72	−0.08	1.05	3.20	1566.89	42.77
5 All stocks (11)	260.70	−0.06	1.16	2.48	1420.22	100.00

Yield Indices	Apr 13	Apr 12	Yr ago	Yield Indices	Apr 13	Apr 12	Yr ago
5 yrs	4.66	4.62	6.02	Irred †	4.64	4.63	5.83
10 yrs	4.55	4.52	5.77	Med. 15 yrs	4.54	4.52	5.72
15 yrs	4.53	4.52	5.71	High 15 yrs	4.64	4.63	5.83
20 yrs	4.53	4.52	5.70				

Coupon Bands: Medium: 8%-10¾%, High: 11% and over. † Flat yield. ytd Year to date.

Real yield	Inflation 0% Apr 13	Dur yrs	Apr 12	Yr ago	Inflation 5% Apr 13	Dur yrs	Apr 12	Yr ago
Up to 5 yrs	2.89	3.22	2.88	3.56	2.10	3.22	2.09	2.77
Over 5 yrs	1.79	13.37	1.78	2.99	1.60	13.47	1.59	2.78
5-15 yrs	1.83	9.65	1.82	3.10	1.56	9.68	1.56	2.79
Over 15 yrs	1.77	17.13	1.76	2.94	1.62	17.21	1.61	2.78
All Stocks	1.83	11.82	1.83	3.00	1.62	11.94	1.61	2.78

FT Fixed Interest Indices

	Apr 13	Apr 12	Apr 9	Apr 8	Apr 7	Yr ago	High*	Low*
Govt. Secs. (UK)	114.19	114.44	114.69	114.15	114.25	105.6	117.17	93.31
Fixed Interest	155.55	155.84	155.85	154.81	154.60	142.35	158.45	115.32

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UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Shorts* (Lives up to Five Years)							
Treas 10½pc 1999		10.45	4.97	100.5100	−.0200	103.82	100.51
Treas 6pc 1999		5.98	4.95	100.3400	−.0100	100.50	98.64
Conv 10¼pc 1999		9.94	4.95	103.1200	−.0300	105.39	103.12
Treas 8½pc 2000	✣	8.28	4.94	102.7100	−.0400	103.54	101.81
Conv 9pc 2000		8.70	4.89	103.5000	−.0400	104.38	102.66
Treas 13pc 2000		11.85	4.90	109.7100	−.0800	113.28	109.71
Treas 8pc 2000		7.63	4.91	104.8100	−.1000	105.84	102.22
Treas Flg Rate 2001		−	−	100.7400	—	100.82	100.17
Treas 10pc 2001		9.18	4.93	108.9400	−.1000	110.37	107.11
Conv 9¾pc 2001	✣	8.67	4.91	109.6200	−.1000	110.89	108.73
Conv 9¾pc 2001	✣	8.82	4.90	110.5100	−.1000	111.80	107.58
Treas 7pc 2001		6.66	4.84	105.1400	−.1200	106.51	100.71
Conv 10pc 2002	✣	8.76	4.85	114.1400	−.1600	116.41	110.98
Treas 7pc 2002		6.58	4.76	106.4600	−.1300	108.13	101.42
Conv 9¾pc 2002	✣	8.37	4.86	113.4400	−.1600	115.64	109.78
Treas 9¾pc 2002		8.48	4.86	115.0400	−.1600	117.29	111.19
Exch 9pc 2002	✣	7.93	4.85	113.5000	−.1800	115.62	108.87
Conv 9¾pc 2003	✣	8.27	4.84	117.8800	−.1600	120.19	112.78
Treas 8pc 2003		7.12	4.79	112.3000	−.1900	114.74	105.58
Treas 10pc 2003		8.29	4.75	120.6000	−.2100	123.52	115.44
Treas 13¾pc 2000-3	✣	12.40	4.86	110.8900	−.0800	115.02	110.89
Treas 6½pc 2003		6.03	4.60	107.8200	−.2000	110.21	100.88
Treas 11½pc 2001-4		10.28	4.98	111.8900	−.1000	113.90	110.80
Treas 10pc 2004	✣	8.10	4.74	123.5100	−.2100	126.55	117.36
Five to Fifteen Years							
Funding 3½pc 1999-4		3.67	4.37	95.4200	—	98.98	91.62
Conv 9½pc 2004		7.70	4.64	123.4200	−.2100	126.43	116.53
Treas 6¾pc 2004		6.10	4.57	110.6300	−.2000	113.28	102.66
Conv 9½pc 2005		7.59	4.63	125.2200xd	−.1800	128.16	117.84
Exch 10½pc 2005	✣	7.94	4.64	132.2400	−.1800	135.46	124.50
Treas 12½pc 2003-5		9.49	4.32	131.7700	−.2100	135.55	127.40
Treas 8½pc 2005		6.96	4.58	122.2000	−.2100	125.31	113.85
Conv 9¾pc 2006	✣	7.36	4.60	132.5300	−.2500	136.21	123.98
Treas 7¾pc 2006		6.50	4.63	119.3200	−.2200	122.40	110.47
Treas 8pc 2002-6		7.30	4.91	109.6600	−.1500	111.73	104.96
Treas 7½pc 2006		6.33	4.60	118.4900	−.2100	121.62	109.33
Treas 11¾pc 2003-7	✣	9.51	4.31	123.5800	−.1600	126.29	119.81
Treas 8½pc 2007		6.73	4.62	126.3400	−.2500	129.86	116.89
Treas 7¼pc 2007		6.09	4.57	118.9500	−.2500	122.65	109.22
Treas 13½pc 2004-8	✣	9.72	4.62	138.8500	−.2100	142.61	133.46
Treas 9pc 2008		6.69	4.50	134.4500xd	−.3400	138.52	123.05
Treas 8pc 2009		6.21	4.50	128.8200	−.3800	132.91	116.57
Treas 5¾pc 2009		5.17	4.41	111.2300	−.2800	114.67	99.36
Treas 6¼pc 2010		5.39	4.47	115.9200	−.2500	118.76	102.47
Conv 9pc Ln 2011		6.36	4.54	141.4400	−.3200	145.31	127.22
Treas 9pc 2012		6.26	4.56	143.8400	−.2900	147.74	128.50
Treas 5½pc 2008-12		5.04	4.30	108.1600	−.2400	112.28	96.82
Treas 8pc 2013		5.88	4.56	136.0000	−.1700	139.84	119.90
Treas 7¾pc 2012-15		5.96	4.61	130.0300	−.2800	133.58	115.84
Over Fifteen Years							
Treas 8pc 2015		5.71	4.53	140.1600	−.1400	144.12	122.40
Treas 8¾pc 2017		5.77	4.55	151.7200	−.1700	156.08	131.97
Exch 12pc 2013-17	✣	6.71	4.56	178.8200	−.3200	183.80	160.67
Treas 8pc 2021		5.39	4.52	148.2900	−.1700	153.21	128.26
Treas 6pc 2028		4.76	4.41	125.9300	−.0800	131.17	102.84
Undated							
Consols 4pc		4.79	-	83.4700	−.2300	87.19	63.10
War Loan 3½pc		4.60	-	76.0800	−.1500	79.83	58.62
Conv 3½pc '61 Aft.		3.87	-	88.0800	−.1500	95.88	75.62
Treas 3pc '66 Aft.		5.10	-	58.7900	−.4400	61.93	46.25
Consols 2½pc		4.65	-	53.7900	−.4400	56.93	41.25
Treas. 2½pc		4.69	-	53.3000	−.1900	55.17	40.86

Index-Linked (b)	Notes	Yield (1)	Yield (2)	Price £	+ or −	52 week High	52 week Low
2½pc '99	✣	0.82	2.30	197.1400	−.0500	198.18	191.35
2½pc '01	(78.3)	2.32	2.75	204.5800	−.0500	206.40	197.08
2½pc '03	(78.8)	1.97	2.23	206.8000	−.0700	207.83	195.37
4⅜pc '04	(135.6)	1.61	1.81	134.7500xd	−.0200	134.77	128.23
2pc '06	(69.5)	1.37	1.52	238.6500	−.1500	239.80	211.86
2½pc '09	(78.8)	1.50	1.61	221.4500	+.0200	221.45	192.43
2½pc '11	(74.6)	1.59	1.69	235.5100	−.1100	235.62	201.83
2½pc '13	(89.2)	1.62	1.70	198.8400	−.2300	199.07	168.21
2½pc '16	(81.6)	1.62	1.69	220.9400	−.1600	221.10	182.79
2½pc '20	(83.0)	1.64	1.70	221.4400xd	−.2400	221.88	178.12
2½pc '24	(97.7)	1.60	1.65	193.8100	−.1300	193.74	150.88
4⅛pc '30	(135.1)	1.55	1.60	193.0300	−.2000	193.23	148.44

Prospective real redemption rate on projected inflation of (1) 5% and (2) 3%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for July 1998: 163.0 and for February 1999: 163.7

Other Fixed Interest

	Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Asian Dev 10¼pc 2009		7.42	5.27	138⅛	—	140$\frac{15}{32}$	129$\frac{15}{32}$
B'ham 11½pc 2012		7.40	5.65	155½	—	158¾	145½
Leeds 13½pc 2006		9.18	-	147	—	152	141½
Liverpool 3½pc Irred.		5.15	-	68	—	70½	55
LCC 3pc '20 Aft.		5.36	-	56	—	59	47
Manchester 11½pc 2007		8.33	5.95	138xd	—	151¾	133½
Met. Wtr 3pc 'B'		3.31	5.70	90½	—	95	85
N'wide Anglia 3⅝pc IL 2021		-	3.05	190¼	—	190¼	172¼
4⅛pc IL 2024		-	3.15	180$\frac{11}{16}$	—	187½	164⅞

● 'Tap' stock. All UK Gilts are tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Reuters closing prices. ✣ Indicative price.

Market settles after Kosovo euro blip

MARKETS REPORT

By Alan Beattie

A brief flurry of excitement caused the euro to skitter down below $1.08 yesterday after stories emerged of Serb troops crossing the border into Albania.

But the currency swiftly turned around as the incursion proved short-lived, reassuring the markets that the incident was more likely to be a border skirmish than the start of a ground war.

The euro closed at the end of London trading yesterday at $1.079, little changed from the start of trading.

The fall gave the market something to think about on an otherwise fairly stultifying day in the markets, as the lack of direction in the large currency pairs was confirmed by option volatilities across the board sagging further downwards.

The non-event of Monday's dollar collapse that never came was also confirmed. Traders said that when the Dow rose in its first few hours of trading yesterday, the idea was finally dispatched that the Compaq profits warning would be enough to spark the long-awaited collapse in US equities and the dollar.

Meanwhile the other predictable currency victims of Kosovo tension also had a *mauvais quart d'heure*. The Greek drachma had a quick dip below the key Dr325 level against the euro before coming back up for air, and the Hungarian forint drifted lower against its basket.

■ Another disaster which failed to happen was the predicted meltdown in the Brazilian Real after it was devalued earlier this year.

After the Real plunged below R$2.00 against the dollar in the immediate aftermath of the cut, currency analysts reached for their thesauruses and starting looking up hyperbolic synonyms for the word "crisis".

But yesterday the currency reached another milestone in its crawl back towards respectability, rising above the R$1.70 level as supportive public sector fiscal data were released. The figures suggested that the IMF primary budget surplus target will be met, and that the impact of interest rate cuts reducing debt service charges more than offset the effect of devaluation on dollar-linked public debt.

By the London close the Real was at R$1.6675.

Analysts said that the rise reflected repatriation by domestic investors more than a flood of international money, but that it still boded well for future interest rate cuts and fiscal consolidation.

"This is the typical Brazilian pattern of market positioning ahead of a central bank meeting," said Gene Frieda, head of emerging markets at the consultancy 4Cast in London.

"The Real's recovery indicates that the common view that inflation is the primary mover of currency changes may have causation back to front," he added.

But Mr Frieda warned that the Real remained vulnerable to changes in sentiment. "Most of the recent flows into the currency are short term," he said. "However, the currency should be well supported for at least the next month, since the central bank has plenty of reserves to support it."

■ The recovery in the Real has raised the intriguing possibility that emerging market crises can be weathered by the large currencies.

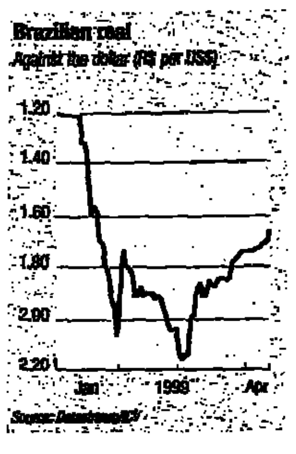
Some in the market have said that the Brazilian experience suggests that some untoward event like a Chinese devaluation might not be disastrous for global risk appetite and the dollar.

"It is all relative, but there has definitely been an increase in risk appetite recently, certainly from the very low levels we saw in January," said one analyst yesterday. "Emerging market bond spreads are coming down and there has been interest over the last couple of days in currencies such as the rand and the Mexican peso."

The rand hit a two-month high yesterday, closing at R6.12 against the dollar.

Tim Fox of Standard Chartered in New York said that although problems remained in countries such as Colombia and Venezuela, selective investor interest in Latin America had returned.

Other participants said that although investors continue to fight shy of emerging market equities, some interest in high yield debt had returned.



Source: Datastream/ICV

■ POUND IN NEW YORK

Apr 13	---Latest---	-- Prev. close --
£ spot	1.6140	1.6140
1 mth	1.6135	1.6134
3 mth	1.6128	1.6128
1 yr	1.6127	1.6129

■ OTHER CURRENCIES

Apr 13	£	$
Czech Rp	58.8565 - 57.0403	35.2410 - 35.2710
Hungary	380.227 - 380.786	235.260 - 235.460
Iran	4851.80 - 4848.60	3000.00 - 3000.00
Kuwait	0.4929 - 0.4934	0.3050 - 0.3051
Peru	5.4258 - 5.4322	3.3570 - 3.3590
Poland	6.4325 - 6.4413	3.9808 - 3.9830
Russia	41.7826 - 41.9502	25.8400 - 25.9400
U.A.E.	5.9360 - 5.9401	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Apr 13		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria*	(Sch)	20.6166	+0.1315	054 - 277	20.6591	20.5127	20.5677	2.8	20.4835	2.6	20.108	2.5	102.5
Belgium*	(BFr)	60.4398	+0.3855	071 - 725	60.5840	60.1360	60.2985	2.8	60.0499	2.6	58.949	2.5	102.0
Denmark	(DKr)	11.1339	+0.0676	272 - 406	11.1557	11.0801	11.1121	2.3	11.0733	2.2	10.8996	2.1	105.2
Finland*	(FM)	8.9083	+0.0568	034 - 131	8.9270	8.8630	8.8872	2.8	8.8509	2.6	8.6896	2.5	80.8
France*	(FFr)	9.8280	+0.0627	226 - 333	9.8482	9.7785	9.8047	2.8	9.7646	2.6	9.5856	2.5	105.2
Germany*	(DM)	2.9304	+0.0187	288 - 319	2.9369	2.9147	2.9235	2.8	2.9115	2.6	2.8581	2.5	102.9
Greece	(Dr)	488.182	+3.0010	862 - 502	487.197	483.077	487.842	-4.1	490.749	-3.8	500.249	-2.9	62.0
Ireland*	(I£)	1.1800	+0.0075	793 - 806	1.1824	1.1740	1.1772	2.8	1.1724	2.5	1.1508	2.5	92.5
Italy*	(L)	2901.04	+18.5000	947 - 261	2907.01	2886.43	2894.16	2.8	2882.32	2.6	2829.48	2.5	75.1
Luxembourg*	(LFr)	60.4398	+0.3855	071 - 725	60.5640	60.1360	60.2985	2.8	60.0499	2.6	58.949	2.5	102.0
Netherlands*	(Fl)	3.3018	+0.0211	000 - 035	3.3085	3.2851	3.294	2.8	3.2805	2.6	3.2204	2.5	101.3
Norway	(NKr)	12.5270	+0.0466	183 - 357	12.5588	12.4507	12.5438	-1.6	12.5605	-1.1	12.5541	-0.2	94.5
Portugal*	(Es)	300.375	+1.9160	212 - 537	300.999	298.855	299.668	2.8	298.437	2.6	292.966	2.5	91.5
Spain*	(Pta)	249.290	+1.5900	155 - 425	249.800	248.040	248.699	2.8	247.682	2.6	243.141	2.5	76.4
Sweden	(SKr)	13.4057	+0.0529	934 - 179	13.4209	13.3274	13.3782	2.5	13.3272	2.3	13.1148	2.2	81.6
Switzerland	(SFr)	2.4028	+0.0160	010 - 041	2.4060	2.3928	2.3934	4.6	2.3773	4.2	2.3075	4.8	106.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	103.2
Euro	(€)	1.4983	+0.0096	975 - 991	1.5015	1.4907	1.4948	2.8	1.4887	2.6	1.4613	2.5	-
SDR†	-	1.186940	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6165	+0.0019	160 - 170	1.6170	1.6122	-	-	-	-	-	-	-
Brazil	(R$)	2.6959	-0.0614	910 - 007	2.7241	2.6904	-	-	-	-	-	-	-
Canada	(C$)	2.4065	-0.0062	049 - 080	2.4123	2.4067	2.4051	0.7	2.4025	0.7	2.3922	0.6	79.1
Mexico	(New Peso)	15.3587	-0.0788	458 - 715	15.3720	15.2941	15.5639	-16.0	15.9774	-16.1	18.0925	-17.8	-
USA	($)	1.6167	+0.0019	162 - 172	1.6172	1.6124	1.6161	0.4	1.6155	0.3	1.6154	0.1	106.3
Pacific/Middle East/Africa													
Australia	(A$)	2.5358	-0.0066	340 - 376	2.5466	2.5301	2.5345	0.6	2.5324	0.5	2.5243	0.5	82.1
Hong Kong	(HK$)	12.5292	+0.0167	249 - 335	12.5396	12.4954	12.5262	0.3	12.5312	-0.1	12.6799	-1.2	-
India	(Rs)	69.1059	+0.1741	602 - 515	69.1570	68.9290	69.4367	-5.7	70.1653	-6.1	74.2803	-7.5	-
Indonesia	(Rupiah)	14089.55	-19.780	478 - 433	14135.80	13975.30	14391.56	-25.7	14975.71	-25.2	17470.64	-24.0	-
Israel	(Shk)	6.5125	-0.0002	049 - 201	6.5207	6.5046	-	-	-	-	-	-	-
Japan	(Y)	194.303	+0.3080	170 - 436	194.950	193.910	193.413	5.5	191.818	5.1	184.698	4.9	129.7
Malaysia	(M$)	6.1435	+0.0072	435 - 4357	6.1438	6.1275	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.9834	+0.0068	797 - 871	2.9913	2.9760	2.9812	0.9	2.9778	0.8	2.9706	0.4	94.1
Philippines	(Peso)	62.0005	-0.0564	388 - 622	62.2624	61.7250	62.3355	-6.5	62.9168	-5.9	65.8229	-6.2	-
Saudi Arabia	(SR)	6.0632	+0.0070	608 - 655	6.0855	6.0477	6.0636	-0.1	6.0692	-0.4	6.123	-1.0	-
Singapore	(S$)	2.7759	-0.0068	742 - 775	2.7844	2.7701	2.757	3.8	2.7515	3.5	2.6986	2.8	-
South Africa	(R)	9.8942	-0.0692	750 - 134	9.9515	9.8686	9.9714	-9.4	10.109	-8.7	10.696	-8.1	-
South Korea	(Won)	1975.04	+0.9500	435 - 573	1975.79	1969.87	-	-	-	-	-	-	-
Taiwan	(T$)	53.3430	+0.0707	184 - 676	53.3682	53.1725	53.34	0.1	53.3681	-0.2	53.7282	-0.7	-
Thailand	(Bt)	61.2487	-0.0330	732 - 242	61.4200	61.1270	61.2833	-0.7	61.3728	-0.8	62.3303	-1.5	-

† Rates for Apr 12. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. * EMU member. The exchange rates printed in this table are also available on the Internet at http://www.FT.com.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 13		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria*	(Sch)	12.7523	+0.0664	493 - 552	12.8039	12.7089	12.7266	2.4	12.6794	2.3	12.4477	2.4	102.2
Belgium*	(BFr)	37.3847	+0.1947	760 - 933	37.5360	37.2520	37.3095	2.4	37.1712	2.3	36.4918	2.4	102.2
Denmark	(DKr)	6.8868	+0.0338	848 - 888	6.9140	6.8634	6.8758	1.9	6.8544	1.9	6.7473	2.0	104.5
Finland*	(FM)	5.5102	+0.0287	089 - 114	5.5325	5.4906	5.4991	2.4	5.4787	2.3	5.3786	2.4	80.2
France*	(FFr)	6.0790	+0.0316	776 - 804	6.1036	6.0574	6.0666	2.4	6.0442	2.3	5.9338	2.4	104.8
Germany*	(DM)	1.8126	+0.0095	121 - 130	1.8199	1.8061	1.809	2.4	1.8022	2.3	1.7693	2.4	102.7
Greece	(Dr)	300.725	+7.5050	620 - 830	302.100	299.300	301.86	-4.5	303.775	-4.1	309.675	-3.0	61.7
Ireland*	(I£)	1.3701	-0.0072	698 - 704	1.3750	1.3646	1.3729	-2.4	1.378	-2.3	1.4036	-2.4	-
Italy*	(L)	1794.42	+9.3500	401 - 484	1801.68	1788.04	1790.81	2.4	1784.17	2.3	1751.57	2.4	74.9
Luxembourg*	(LFr)	37.3847	+0.1947	760 - 933	37.5360	37.2520	37.3095	2.4	37.1712	2.3	36.4918	2.4	102.2
Netherlands*	(Fl)	2.0423	+0.0106	418 - 427	2.0505	2.0350	2.0383	2.4	2.0307	2.3	1.9935	2.4	101.3
Norway	(NKr)	7.7485	+0.0197	455 - 515	7.7860	7.7099	7.7617	-2.0	7.775	-1.4	7.7715	-0.3	93.7
Portugal*	(Es)	185.795	+0.9590	752 - 838	186.550	185.130	185.421	2.4	184.734	2.3	181.359	2.4	92.1
Spain*	(Pta)	154.197	+0.8030	161 - 233	154.820	153.650	153.887	2.4	153.316	2.3	150.514	2.4	78.0
Sweden	(SKr)	8.2920	+0.0230	870 - 970	8.3187	8.2625	8.278	2.0	8.2495	2.0	8.1185	2.1	81.2
Switzerland	(SFr)	1.4861	+0.0082	856 - 866	1.4910	1.4826	1.4809	4.2	1.4715	3.9	1.4284	3.9	106.4
UK	(£)	1.6167	+0.0019	162 - 172	1.6172	1.6124	1.6161	0.4	1.6155	0.3	1.6154	0.1	102.2
Euro	(€)	1.0791	-0.0058	788 - 793	1.0830	1.0746	1.0813	-2.4	1.0853	-2.3	1.1056	-2.5	-
SDR†	-	0.73513	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	1.6675	-0.0400	650 - 700	1.6850	1.6650	-	-	-	-	-	-	-
Canada	(C$)	1.4885	-0.0056	880 - 890	1.4926	1.4877	1.4882	0.2	1.4871	0.4	1.4808	0.5	78.7
Mexico	(New Peso)	9.5000	-0.0800	950 - 050	9.5050	9.4900	9.63	-15.4	9.89	-16.4	11.2	-17.9	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	109.4
Pacific/Middle East/Africa													
Australia	(A$)	1.5685	-0.0059	679 - 691	1.5785	1.5679	1.5681	0.3	1.5676	0.2	1.567	0.1	81.9
Hong Kong	(HK$)	7.7499	+0.0012	496 - 501	7.7502	7.7495	7.7508	-0.1	7.7569	-0.4	7.8494	-1.3	-
India	(Rs)	42.7450	+0.0575	300 - 600	42.7800	42.7000	42.965	-6.2	43.4325	-6.4	45.9825	-7.6	-
Indonesia	(Rupiah)	8715.00	-22.50	000 - 000	8750.00	8650.00	8905	-26.2	9270	-25.5	10815	-24.1	-
Israel	(Shk)	4.0283	-0.0048	248 - 317	4.0357	4.0242	-	-	-	-	-	-	-
Japan	(Y)	120.185	+0.0500	140 - 230	120.810	120.050	119.675	5.1	118.74	4.8	114.33	4.9	131.1
Malaysia‡	(M$)	3.8000	-	000 - 000	3.8000	3.8000	-	-	-	-	-	-	-
New Zealand	(NZ$)	1.8454	+0.0021	437 - 471	1.8558	1.8430	1.8436	1.2	1.8418	0.8	1.8423	0.2	-
Philippines	(Peso)	38.3500	-0.0800	000 - 000	38.5000	38.2000	38.571	-6.9	38.9455	-6.2	40.747	-6.3	-
Saudi Arabia	(SR)	3.7504	-0.0001	501 - 506	3.7506	3.7500	3.752	-0.5	3.7569	-0.7	3.7904	-1.1	-
Singapore	(S$)	1.7170	-0.0062	165 - 175	1.7280	1.7165	1.7121	3.4	1.7032	3.2	1.6705	2.7	-
South Africa	(R)	6.1200	-0.0500	100 - 300	6.1630	6.1050	6.17	-9.8	6.2575	-9.0	6.6212	-8.2	-
South Korea	(Won)	1221.65	-0.8500	160 - 170	1223.20	1221.50	-	-	-	-	-	-	-
Taiwan	(T$)	32.9950	+0.0050	900 - 000	33.0100	32.9700	33.005	-0.4	33.035	-0.5	33.26	-0.8	-
Thailand	(Bt)	37.8850	-0.0850	500 - 200	38.0500	37.8450	37.92	-1.1	37.98	-1.1	38.585	-1.8	-

† SDR rate per $ for Apr 12. ‡ Official rate set by Malaysian government. The WM/Reuters rate for the valuation of capital assets is 4.75 MYR/USD, a discount of 20% on the official rate. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & Euro are quoted in US currency. J.P. Morgan nominal indices Apr 12: Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Dollar table are derived from THE WM/REUTERS 4pm CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T. * EMU member. The exchange rates printed in this table are also available on the Internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

Apr 13	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Euro-zone	2 27/32	2¾	2¾	2¾	2 25/32	-	2.50	3.00
Switzerland	3/8	⅞	15/16	1	1 1/16	-	1.00	-
US	4 13/16	4⅞	4 31/32	4 31/32	5 1/16	-	4.50	-
Japan	1/32	1/16	1/16	1/16	1/8	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	4 29/32	5	5 1/16	5 7/32	-	-	-
US Dollar CDs	-	4.74	4.76	4.79	4.91	-	-	-
Euro Linked Ds	-	2¾	2¾	2 25/32	2 25/32	-	-	-
SDR Linked Ds	-	3 5/16	3¼	3 5/16	3 5/16	-	-	-
BBA Euro Libor	-	2 11/16	2 11/16	2 11/16	2 23/32	-	-	-
Euro Euribor	-	2.647	2.651	2.663	2.713	-	-	-
EONIA	2.73	-	-	-	-	-	-	-
EURONIA	2.7432	-	-	-	-	-	-	-

London Interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, Euro & SDR Linked Deposits (Ds).

INTERNATIONAL CURRENCY RATES

Apr 13	Short term	7 days notice	One month	Three months	Six months	One year
Euro	2 27/32 - 2 25/32	2 25/32 - 2 21/32	2 27/32 - 2 21/32	2 27/32 - 2 25/32	2 29/32 - 2 25/32	[illegible]
Danish Krone	3 9/32 - 3 1/16	3 1/16 - 2 29/32	3 1/16 - 2 29/32	3 1/16 - 2 29/32	3¼ - 2 29/32	[illegible]
Sterling	5¾ - 5	5¼ - 5⅛	5 5/16 - 5¼	5 5/16 - 5¼	5¼ - 5⅛	[illegible]
Swiss Franc	1 1/16 - ⅝	1 - ⅞	15/16 - ⅞	1 - ⅞	1 1/16 - 15/16	[illegible]
Canadian Dollar	4 29/32 - 4 25/32	4¾ - 4 21/32	4 29/32 - 4 25/32	4 29/32 - 4 25/32	4 31/32 - 4 27/32	[illegible]
US Dollar	4 29/32 - 4 25/32	4 29/32 - 4 25/32	4 15/16 - 4 13/16	5 - 4⅞	5 1/16 - 4 15/16	[illegible]
Japanese Yen	1/16 - 1/32	⅛ - 1/32	⅛ - 1/32	¼ - 1/16	¼ - 1/16	[illegible]
Asian $Sing	¼ - ⅛	2 - ½	2 3/16 - 1 15/16	2 5/16 - 1 15/16	2⅜ - 1⅞	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.37	97.38	+0.01	97.39	97.37	4,005	43,695
Sep	97.39	97.39	+0.01	97.40	97.38	5,518	30,037

■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.370	97.380	+0.010	97.385	97.365	50223	206838
Sep	97.360	97.390	+0.005	97.405	97.370	39288	219335
Dec	97.160	97.170	-	97.180	97.160	12333	124378
Mar	97.260	97.280	-0.015	97.280	97.250	13493	99484

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ EURIBOR OPTIONS (LIFFE) €1m 100-rate

Strike Price	Calls Jun	Calls Sep	Calls Dec	Calls Mar	Puts Jun	Puts Sep	Puts Dec	Puts Mar
97375	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
97500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
97625	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
97750	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, [illegible]

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100-rate

Strike Price	Calls Jun	Calls Sep	Calls Dec	Calls Mar	Puts Jun	Puts Sep	Puts Dec	Puts Mar
97375	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
97500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
97625	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
97750	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, [illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* LIFFE futures also traded on APT

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr1m 100-rate

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
99000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99125	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, [illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 13		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	€
Belgium*	(BFr)	100	18.42	16.26	4.848	1.952	4800	5.463	20.73	497.0	412.5	22.18	3.975	1.655	3.982	2.675	321.5	2.479
Denmark	(DKr)	54.28	10	8.827	2.632	1.060	2606	2.965	11.25	269.8	223.9	12.04	2.158	0.898	2.161	1.452	174.5	1.346
France*	(FFr)	61.50	11.33	10	2.982	1.201	2952	3.360	12.75	305.6	253.7	13.64	2.445	1.018	2.449	1.645	197.7	1.525
Germany*	(DM)	20.63	3.800	3.354	1	0.403	990.0	1.127	4.275	102.5	85.07	4.575	0.820	0.341	0.821	0.552	66.31	0.511
Ireland*	(I£)	51.22	9.436	8.329	2.483	1	2459	2.798	10.62	254.6	211.3	11.36	2.036	0.848	2.039	1.370	164.7	1.270
Italy*	(L)	2.083	0.384	0.339	0.101	0.041	100	0.114	0.432	10.35	8.593	0.462	0.083	0.034	0.083	0.056	6.698	0.052
Netherlands*	(Fl)	18.31	3.372	2.977	0.888	0.357	878.6	1	3.794	90.97	75.50	4.060	0.728	0.303	0.729	0.490	58.85	0.454
Norway	(NKr)	48.25	8.888	7.845	2.339	0.942	2316	2.636	10	239.8	199.0	10.70	1.918	0.798	1.921	1.291	155.1	1.196
Portugal*	(Es)	20.12	3.707	3.272	0.976	0.393	965.8	1.099	4.170	100	82.99	4.463	0.800	0.333	0.801	0.538	64.69	0.499
Spain*	(Pta)	24.24	4.466	3.942	1.175	0.473	1164	1.324	5.025	120.5	100	5.378	0.964	0.401	0.965	0.649	77.94	0.601
Sweden	(SKr)	45.09	8.305	7.331	2.186	0.880	2164	2.463	9.345	224.1	186.0	10	1.792	0.746	1.795	1.206	144.9	1.118
Switzerland	(SFr)	25.16	4.634	4.091	1.220	0.491	1207	1.374	5.214	125.0	103.8	5.580	1	0.416	1.002	0.673	80.87	0.624
UK	(£)	60.43	11.13	9.827	2.930	1.180	2901	3.301	12.53	300.3	249.3	13.41	2.403	1	2.406	1.617	194.3	1.498
Canada	(C$)	25.12	4.627	4.084	1.218	0.490	1205	1.372	5.206	124.8	103.6	5.571	0.998	0.416	1	0.672	80.74	0.623
USA	($)	37.38	6.887	6.079	1.812	0.730	1794	2.042	7.749	185.8	154.2	8.292	1.486	0.619	1.489	1	120.2	0.927
Japan	(Y)	31.11	5.730	5.058	1.508	0.607	1493	1.699	6.447	154.6	128.3	6.899	1.237	0.515	1.239	0.832	100	0.771
Euro	(€)	40.34	7.431	6.560	1.956	0.788	1936	2.204	8.361	200.5	166.4	8.948	1.604	0.668	1.606	1.079	129.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100. * EMU member.

■ D-MARK FUTURES (CME) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5553	0.5542	-0.0013	0.5543	0.5522	5,137	28,844
Sep	-	-	-	-	-	34	1,227
Dec	-	-	-	-	-	-	137

■ SWISS FRANC FUTURES (CME) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6782	0.6772	-0.0011	0.6774	0.6750	9,497	59,198
Sep	-	-	-	-	-	15	333
Dec	-	-	-	-	-	-	6

■ JAPANESE YEN FUTURES (CME) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8390	0.8386	-0.0005	0.8391	0.8343	18,619	80,893
Sep	-	-	-	-	-	18	1,746
Dec	-	-	-	-	-	1	1,454

■ STERLING FUTURES (CME) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6130	1.6140	+0.0014	1.6180	1.6076	9,833	65,915
Sep	-	1.6160	+0.0040	1.6020	1.6180	129	1,191
Dec	-	1.6046	-0.0072	-	-	-	30

UK INTEREST RATES

LONDON MONEY RATES

Apr 13	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5¾ - 4½	5⅜ - 5⅛	5⅜ - 5¼	5⅜ - 5¼	5⅜ - 5¼	5⅜ - 5¼
Sterling CDs	-	-	5¼ - 5⅛	5¼ - 5⅛	5¼ - 5⅛	5⅜ - 5¼
Treasury Bills	-	-	5⅛ - 5	5⅛ - 4⅞	-	-
Bank Bills	-	-	5⅛ - 5	5⅛ - 4⅞	-	-
Local authority deps.	5¾ - 5½	5¾ - 5¼	5⅜ - 5¼	5¾ - 5¼	5⅜ - 5¼	5⅜ - 5¼
Discount Market deps	5¾ - 5¾	5⅜ - 5¼	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from Apr 8, 1999

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	4	6.5	6.5	6.25	6.25

Certs of Tax dep. under £100,000 is 4pc. Deposits withdrawn for cash 2pc. Ave. tender rate of discount on Mar 12, 4.8807pc. ECGD fixed rate Stg. Export Finance. Make up day Mar 31, 1999. Agreed rate for period Apr 26, 1999 to May 25, 1999, Scheme III 6.65pc. Reference rate for period Feb 27, 1999 to Mar 31, 1999, Schemes IV & V 5.410pc. Finance House Base Rate 6.5pc for Apr 1999.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	94.850	94.845	-0.035	94.870	94.830	16509	184439
Sep	94.890	94.870	-0.050	94.900	94.860	34271	196084
Dec	94.660	94.640	-0.040	94.670	94.620	12305	142541
Mar	94.740	94.730	-0.050	94.760	94.710	17641	138070
Jun	94.650	94.635	-0.065	94.670	94.630	8469	115682

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
94750	0.145	0.240	0.235	0.050	0.120	0.345
94875	0.075			0.105	-	
95000	0.040	0.110	0.140	0.195	0.240	0.500
95125	0.020			0.300		
95250	0.010	0.050	0.075	0.415	0.430	0.685
95375	0.005			0.535		

Est. vol. total, Calls 9252 Puts 7935. Previous day's open int., Calls 442617 Puts 310894

EMS EUROPEAN CURRENCY UNIT RATES

Apr 13	Euro cen. rates	Rate against Euro €	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Greece	353.109	324.30	-0.26	-8.16	8.49	55
Denmark	7.46038	7.4334	-0.0002	-0.36	0.00	2
NON ERM MEMBERS						
UK	0.653644	0.66710	-0.0052	2.06	-2.37	-

Euro central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Euro; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Euro central rate. 17/9/92: Sterling suspended from ERM. 16/3/98. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Apr	Calls May	Calls Jun	Puts Apr	Puts May	Puts Jun
1.600	1.26	2.08	2.45	0.17	1.07	0.92
1.610	0.56	1.50	1.97	0.42	1.53	1.34
1.620	0.26	0.95	1.53	0.99	2.11	1.89

Previous day's vol., Calls - Puts 3 . Prev. day's open int., Calls 925 Puts 1,400

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	Calls Apr	Calls May	Calls Jun	Puts Apr	Puts May	Puts Jun
0.545	0.65	1.20	-	0.04	.28	0.44
0.550	0.47	0.86	1.12	0.11	0.41	0.61
0.555	0.18	0.59	0.87	0.31	0.63	0.82

Previous day's vol., Calls n/a Puts n/a . Prev. day's open int., Calls 152 Puts 266

■ THREE MONTH EURODOLLAR (CME) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.01	95.01	-0.01	-	-	30,780	468,024
Sep	94.95	94.97	-	-	-	76,777	468,855
Dec	94.86	-	-	-	-	29,874	356,659

■ US TREASURY BILL FUTURES (CME) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.78	95.78	-	-	-	70	1,412

BASE LENDING RATES

	%		%		%
Adam & Company	5.25	Exeter Trust Limited	6.25	Smith & Williamson	5.25
Allied Irish Bank (GB)	5.25	●Robert Fleming & Co	5.25	Sun Bank	5.25
●Henry Ansbacher	5.25	Habib Bank AG Zurich	5.25	TSB	5.25
Banco Bilbao Vizcaya	5.25	Heritable & Gen Inv Bk	5.50	United Bank of Kuwait	5.50
Bank of Cyprus	5.25	C. Hoare & Co	5.25	Unity Trust Bank Plc	5.25
Bank of Ireland	5.25	●SG Hambros Bank & Trust	5.25	Whiteaway Laidlaw	5.25
Bank of India	5.25	Hongkong & Shanghai	5.25	Yorkshire Bank	5.25
Bank of Scotland	5.25	Investec Bank (UK) Ltd	5.25		
Barclays Bank	5.25	Julian Hodge Bank	5.25		
Brit Bk of Mid East	5.25	●Leopold Joseph & Sons	5.25		
●Brown Shipley & Co Ltd	5.25	Lloyds Bank	5.25		
Citibank NA	5.25	Midland Bank	5.25		
Clydesdale Bank	5.25	NatWestminster	5.25		
The Co-operative Bank	5.50	●Rea Brothers	5.25		
Coutts & Co	5.25	Royal Bk of Scotland	5.25		
Cyprus Popular Bank	5.25	Scottish Widows Bank	5.50		
Duncan Lawrie	5.50	●Singer & Friedlander	5.25		

● Members of London Investment Banking Association

African fish exporters protest against EU ban

By Mark Turner in Nairobi

East African fish exporters will today protest in Brussels against an EU ban on Lake Victoria fish exports that was adopted by the European Commission on Monday following reports that fishermen were catching Tilapia, an East African fish, contaminated with pesticide harmful to humans.

The EU announced the temporary ban for Kenya and Tanzania following a self-imposed Ugandan ban in late March.

"Some cases involving fish poisoning have been reported to the Commission by the Uganda authorities ... suspected to be caused by the presence of pesticides in the water of the lake," the Commission said on Monday.

"The Uganda authorities have taken precautionary measures. Nevertheless, Kenya and Tanzania share the Lake Victoria waters. These countries have taken precautionary measures but ... [they] are not enough to assure the safety of the fishery products."

The move follows previous EU bans over salmonella and cholera scares, which were later lifted.

Tanzanian processors contest the decision, arguing that they have tight controls and that there is no evidence that Nile Perch, the fish mainly exported to Europe and which lives in deeper waters than Tilapia, have been affected.

They also argue that the European Union has not distinguished between the different parts of Lake Victoria, the world's second largest freshwater lake.

"Our view is that the EU did not do sufficient work on this," said Harko Bhagat, chairman of the Lake Victoria Fish Processors Association in Tanzania, who will be pressing his case today. Kenyan processors also deny any evidence of Nile Perch poisoning.

Ugandan exporters have expressed anger at a lack of government controls, which they say contributed to the crisis. "To be honest, I think the ban is fair. I believe the fish poisoning is a result of the government not putting in force its quotas," said Farooq Makubuya, the managing director of Uganda Marine Products.

Tanzania and Uganda, in particular, stand to suffer badly from the ban, with fisheries the third largest export earners after coffee and tourism. Tanzania, for example, exports $85m of Lake Victoria fish a year to Europe, and each day of the ban is costing it more than $200,000.

Fish poisoning has become a highly political issue in all three countries, after a series of lurid press reports alleging that consumers had died from eating contaminated produce. Local prices have plunged, devastating lakeside communities, and local politicians are fighting what they claim to be deliberate misinformation by their opponents.

Ranieri Sabatuchi, a European Commission official in Tanzania, says that today's meeting will give East African processors, governments and EU officials a chance to assess the extent of the poisoning and to define the measures necessary to remove the ban.

Jump in Brazilian coffee exports

MARKETS REPORT

By Paul Solman, Robert Corzine and Gillian O'Connor

Brazil came close to tripling its coffee exports last month, encouraged by the devaluation of the Real.

The world's largest coffee producer exported 2.1m 60kg bags last month, 180 per cent more than in March 1997, Brazil's two coffee associations said. They are forecasting exports of 1.7m bags this month.

This was not so for El Salvador, whose coffee shipments between October and April fell 62 per cent compared with the same period last season. It suffered big crop losses after being hit by Hurricane Mitch.

Coffee prices were little moved in thin trading yesterday, the most active May robusta contract on the London International Financial Futures and Options Exchange ending at $1,477 a tonne, down $6 from Monday's close.

Raw sugar prices suffered renewed losses, slipping below Monday's 11½-year low of 5.25 cents a pound. In mid-day trading on New York's Coffee, Sugar and Cocoa Exchange, the May contract stood at 5.10 cents.

Oil prices continued to firm yesterday, with the bellwether May Brent futures contract quoted at $15.17 a barrel in late trading on London's International Petroleum Exchange. Concern about a possible escalation of the Kosovo conflict helped boost prices, according to traders.

The news of clashes in Albania involving Serbs also helped firm the price of gold. Copper and aluminium led base metals higher, partly because of fresh rumours of imminent production closures in copper, partly because of alleged buying by investment funds.

Randgold to develop Morila

By Victor Mallet in Johannesburg

Randgold Resources, the London-listed subsidiary of South Africa's Randgold & Exploration, has decided to go ahead with the development of the low-cost Morila gold mine in the west African state of Mali after a favourable feasibility study.

Roger Kebble, chairman, and Mark Bristow, managing director, expect the mine to restore the fortunes of Randgold Resources, which made a net loss of $9.18m in the December quarter and has struggled to find favour with investors since it was listed two years ago.

The feasibility study, audited by Resource Service Group of Australia, estimates proven and probable gold reserves of 3.33m ounces at the site, and puts Morila's total resources at 4.45m ounces.

Projected cash operating costs are $133 per ounce – or $153 including royalties to the Mali government. The audit accepts Morila will be "relatively insensitive to negative changes in the gold price". Rights to Morila and other Malian assets were bought from Australia's BHP in 1996.

N.M. Rothschild & Sons has agreed to arrange project finance for the mine, which is expected to cost between $75m and $111m to develop. Predicted payback time for the capital expenditure is a mere 10.5 months – partly because the higher grade oxide near the surface will be processed first – and the internal rate of return is put at 51 per cent. Production should begin by January 2001.

Randgold Resources' other main operation is also in Mali, at Syama. Gold production there is forecast at 270,000 ounces for the current calendar year and the company says Morila will have a similar output over its 10-year life, but at a much lower cost.

"Syama's just the flywheel. This is going to make the business. This is going to make the company," Mr Kebble said yesterday.

Morila's output will also help push Mali into the top three African gold producers, after South Africa and Ghana, Randgold says.

● Resolute, the Australian gold mining company, announced yesterday that it would pay Ghana's Ashanti Goldfields $39m for the 50 per cent stake in the Golden Pride gold project in Tanzania it does not already own, and interests in a number of adjacent prospects.

Australian sugar shaken by change in trade flows

Competition is threatening the industry, writes **Stephen Wyatt**

The Australian sugar industry is under threat from a shift in the pattern of global sugar trade flows, collapsing world sugar prices and extremely wet weather in its main sugar-growing state, Queensland.

"The shift in the pattern of trade flows, caused by Russia's withdrawal as an importer late last year and Brazil's continued expansion, have increased global competition, with Brazil and other producers entering some Queensland markets for the first time," says David Rutledge, chief executive of Queensland Sugar Corporation.

"The marketplace has changed and the [Australian raw sugar] industry must respond to these changes if it is to remain competitive," he says, stressing the need to improve quality, shipping and supply flexibility and push for reform in the highly protected economies of the US, the EU and Japan.

At the moment, however, Australian sugar traders are squarely focused on what they perceive as their biggest threat – Brazilian sugar exports to Asia. The sugar harvest in Brazil has just begun and its exportable surplus is projected to be around 9.5m tonnes.

Australia exported 4.5m tonnes of sugar in 1997/98 making it the world's second largest sugar exporter, after Brazil. Sugar is Australia's fifth most important farm export, generating A$1.66bn (US$1.05bn) in export revenues in 1997/98.

Brazil's sugar exports have exploded during the 1990s, especially from the centre-south of Brazil. Before 1990 this area did not export sugar but produced sugar for domestic ethanol production. Now the region is expected to export about 7.5m tonnes.

A lot of this sugar will now go into Asia. "For the first time, Brazilian sugar [is] ... competitive in the Asian region," says Mr Rutledge. This is because freight rates into Asia have fallen as a result of Asia's economic slowdown.

Brazil has traditionally exported to Russia, West Africa, India and the Middle East. It has rarely competed directly with Australian sugar but now, with Russia virtually out of the market and with lower Asia Pacific freight rates opening up Asia to Brazil, Brazilian sugar has flooded into Asia.

The floating and subsequent collapse of the Brazilian currency, the Real, in January has also made Brazilian sugar 32 per cent more competitive.

In short, the East Asian sugar premium – the price premium in Asia to New York sugar futures – has fallen from 2.5 US cents per pound in 1996, when freight rates were high, to around 0.75 US cents per pound.

For the Australian sugar industry though, there is another problem. It is facing this increasing competition just as world sugar prices collapse.

Prices have fallen 40 per cent so far this year and last week July New York sugar futures hit 5.03 US cents per pound, the lowest since September 1985.

Also, the Australian sugar crop for the past two years has been seriously damaged by wet weather, flooding and this year by February's Cyclone Rona. The sugar crop for 1998/99 is forecast by the Australian Bureau of Agricultural and Resource Economics to fall to 4.87m tonnes from last year's record 5.57m tonnes.

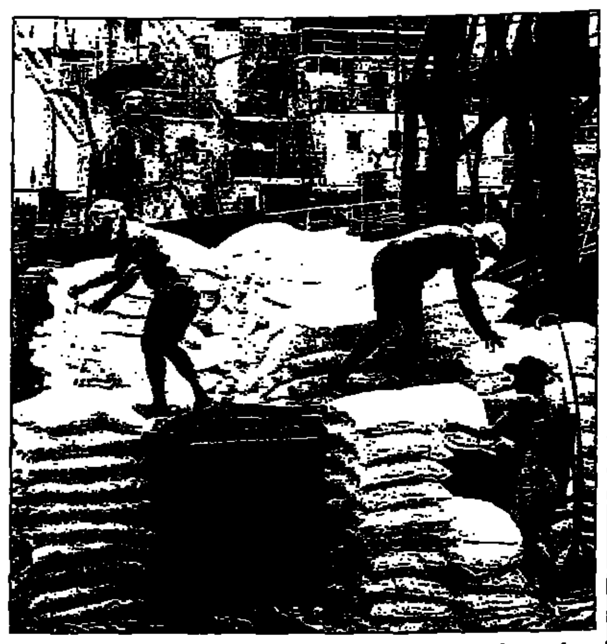
In addition, it forecasts the coming weather-damaged 1999/2000 crop (harvested in May this year) only to recover marginally to 5.2m tonnes.

"What is happening is a double whammy. Growers have suffered from both low prices and a lot of rain," says Ross Chapman, deputy general manager of Canegrowers – a body representing Queensland sugar growers.

The likely price for this year's (sugar) harvest will be below the industry's cost of production and about 30 per cent of the crop has been significantly damaged by heavy rain and floods, says Mr Chapman.

Canegrowers, on behalf of sugar-cane farmers, will be applying to the Australian government for "exceptional circumstances grants", which would give growers access to unemployment benefits.

Forward sales and hedging in the futures market when sugar prices were reasonable in 1998 by Queensland Sugar Corporation, the statutory corporation that has an export monopoly on the marketing of Queensland's raw sugar, secured prices of around A$350 a tonne. Next year, however, sugar growers will begin to feel the pinch.



For the first time, Brazilian sugar is competitive in the Asian region

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1284-5	1305-6
Previous	1253-54	1274-75
High/low	[illegible]	[illegible]
AM Official	[illegible]	[illegible]
Kerb close	[illegible]	[illegible]
Open int.	[illegible]	
Total daily turnover	[illegible]	

■ ALUMINIUM ALLOY ($ per tonne)

■ LEAD ($ per tonne)

■ NICKEL ($ per tonne)

■ TIN ($ per tonne)

■ ZINC, special high grade ($ per tonne)

■ COPPER, grade A ($ per tonne)

■ LME AM Official £/$ rate: [illegible]

■ HIGH GRADE COPPER (COMEX)

PRECIOUS METALS

■ LONDON BULLION MARKET

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	284.1	+1.3	284.4	282.8	51	320
Jun	285.6	+1.1	286.0	284.0	21,096	128k
Aug	287.6	+1.1	287.7	286.1	205	10,199
Oct	[illegible]	+1.1	[illegible]	[illegible]	155	3,511

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS IPE (1,000 therms; pence per therm)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	74.80	–	74.90	74.40	75	2,482
Jul	76.50	–0.10	76.70	76.15	179	2,512
Sep	74.40	–0.10	–	–	–	178
Nov	76.40	–0.10	76.40	76.25	89	3,122

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LIFFE (100 tonnes; £ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LIFFE (20 tonnes; £ per tonne)

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	471.00	+3.50	471.00	468.00	11	532
Sep	489.00	+2.00	489.00	488.00	10	152
Total					21	686

FUTURES DATA

All futures data supplied by CMS.

Tea from the Tea Brokers' Association

Mombasa There was good and improved general demand. Brighter and medium BP1's were irregular but on balance firm to 7 cents dearer with quality. Lower mediums were irregular while plainer sorts were often neglected. Brighter PF1's were generally dearer by 10-22 cents while mediums gained by up to 12 cents. Lower mediums were barely steady with the exception of poor leaf descriptions which were were discounted by up to 15 cents. Brighter p.dusts, though irregular, were generally firm to 12 cents above last rates while lower mediums gained up to 20 cents.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	771	–9	781	764	2,195	41,752
Jul	793	–8	801	787	850	18,573
Sep	813	–7	820	807	820	29,911
Dec	839	–6	846	834	130	27,252

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LIFFE (5 tonnes; $/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Mar	92.00	–1.10	93.10	93.10	12	311
Total					3,175	31,199

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Apr 13	Apr 12	month ago	year ago
1326.6	1329.5	1367.7	1655.3

■ CRB Futures (Base: 1967 = 100)

Apr 12	Apr 9	month ago	year ago
188.51	189.72	–	–

■ GSCI Spot (Base: 1970 = 100)

Apr 12	Apr 9	month ago	year ago
152.11	152.72	142.88	186.71

LME WAREHOUSE STOCKS (tonnes)

Aluminium	–1,825	to	811,760
Aluminium alloy	–40	to	67,100
Copper	1,325	to	722,300
Lead	+1,725	to	104,125
Nickel	–24	to	61,632
Zinc	+3,625	to	318,575
Tin	–5	to	9,180

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	66.925	–0.350	67.575	66.650	6,580	18,119
Jun	64.325	–0.675	65.150	63.925	8,187	50,261
Aug	62.800	–0.475	63.350	62.600	2,952	21,031
Oct	64.875	–0.225	65.300	64.550	1,108	12,187
Dec	66.750	–0.175	67.000	66.550	253	5,609
Feb	68.150	–0.125	68.250	68.000	48	2,056
Total					19,131	110,121

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	41.950	–0.325	42.200	41.725	1,488	5,208
Jun	55.350	–0.475	55.650	54.775	4,385	16,839
Jul	57.275	–0.050	57.350	56.500	1,143	6,526
Aug	57.750	+0.400	57.900	57.000	1,124	6,161
Oct	55.450	+0.275	55.550	54.700	412	7,168
Dec	55.700	+0.125	55.750	55.250	237	3,573
Total					8,846	48,514

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
May	52.525	–1.475	53.700	51.000	1,151	2,987
Jul	53.550	–1.650	54.900	52.225	580	1,695
Aug	51.750	–1.700	53.900	51.450	35	450
Total					1,747	5,140

LONDON TRADED OPTIONS

Strike price $ tonne	— Calls —		— Puts —	
■ ALUMINIUM (99.7%) LME	May	Aug	May	Aug
1250	58	90	7	28
1300	25	61	24	48
1350	8	39	57	73
■ COPPER (Grade A) LME	[illegible]	[illegible]	[illegible]	[illegible]
■ COFFEE LIFFE	[illegible]	[illegible]	[illegible]	[illegible]
1500	242	13	1	36
1550	192	4	1	77
■ COCOA LIFFE	May	Jul	May	Jul
775	11	43	15	25
800	3	30	32	37
825	1	20	55	52
■ BRENT CRUDE IPE	May	Jun	May	Jun
1400	81	-	-	25
1450	-	-	5	-
1500	8	80	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$14.47-4.63	+0.280
Brent Blend (dated)	$14.99-5.03	+0.550
Brent Blend (May)	$15.14-5.18	+0.350
W.T.I.	$16.74-6.77x	+0.320

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Unleaded Gasoline ‡	$161-165	+2
Gas Oil	$128-130	+2
Heavy Fuel Oil	$71-73	
Naphtha	$139-141	+2
Jet fuel	$158-161	+3.5
Diesel	$142-143	+2

■ NATURAL GAS (Pence/therm)

Bacton (Apr)	9.25-9.30	+0.01

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$283.05	+0.30
Silver (per troy oz)♣	492.00	-5.25
Platinum (per troy oz.)	$359.50	-1.00
Palladium (per troy oz.)	$368.25	+1.25
Copper	70.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	19.65r	
Tin (New York)	250.5	
Cattle (live weight)	93.67p	-0.95*
Sheep (live weight)	105.55p	+0.75*
Pigs (live weight)†	67.34p	+7.03*
Lon. day sugar (raw)	$146.70	+0.50
Lon. day sugar (wte)	$204.60	-1.20
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£97.00	
Wheat (US Dark North)	£122.00	
Rubber (May)♥	42.00p	
Rubber (Jun)♥	42.50p	
Rubber (KL RSS No1)	223.00m	-0.50
Coconut Oil (Phil)§	805.0	+10.0
Palm Oil (Malay.)§	487.5y	
Copra (Phil)§	480.0z	-2.0
Soyabeans (US)	140.0y	
Cotton Outlook'A' index	57.50	
Wooltops (64s Super)	302p	

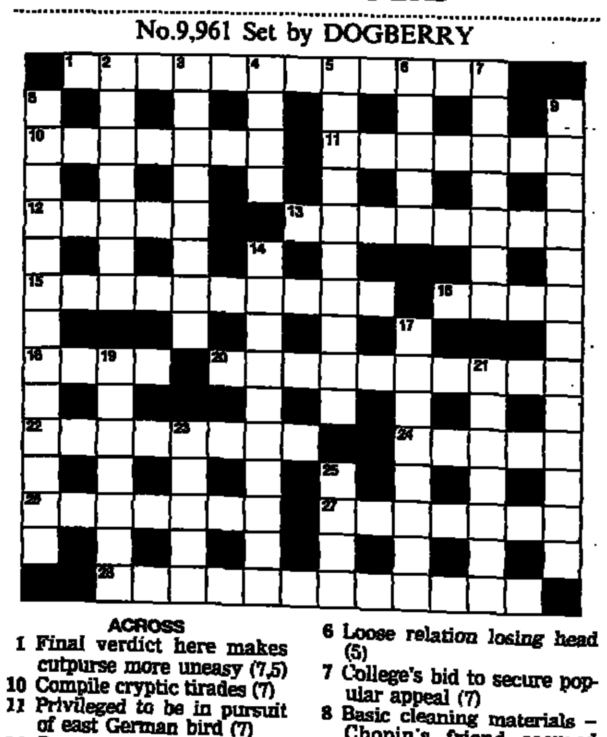
£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Mar/Apr. y Mar. x May. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on [illegible] Unleaded Gasoline replaced Premium on March 15th. [illegible] of pigs sold.

JOTTER PAD

For solutions to today's crossword call 0906 843 0060. Calls cost 60p a minute.

CROSSWORD

No.9,961 Set by DOGBERRY



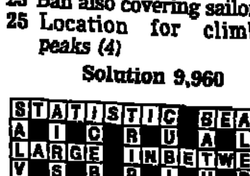
ACROSS

1 Final verdict here makes cutpurse more uneasy (7,5)
10 Compile cryptic tirades (7)
11 Privileged to be in pursuit of east German bird (7)
12 Person responsible for pitch maintenance (5)
13 A Lawrence novel one is sticking to (8)
15 Plant that might suit Truman? (10)
16 Instrument entirely restrung? Not entirely (4)
18 Pander to parent's first child (4)
20 Musicians sounding in poor voice often seen in pub (5,5)
22 Poly, for example, to revamp emblem (8)
24 Audience receiving note from consumer (5)
26 Almost fall by the way, like Uriah Heep (7)
27 One river to another reflected by a third (7)
28 Type of government for investigator to assess (12)

DOWN

2 Fourth strategy in America gains the high ground (7)
3 Novelist's reported comment (8)
4 Spice club (4)
5 Sudden fall in strident gutturals in Connecticut (10)
6 Loose relation losing head (5)
7 College's bid to secure popular appeal (7)
8 Basic cleaning materials – Chopin's friend secured mine for Chopin, say (4,3,6)
9 Flabbergasted when HGV moves noisily ahead (13)
14 Mood of Greek island is top-to-tail at present (10)
17 Dissenting voice is alternative on purpose (8)
19 Victim of con sent to West Uruguay with politician and VIP (7)
21 Gold fruit endlessly supplied by slot machine (7)
23 Ban also covering sailor (5)
25 Location for climbing peaks (4)

Solution 9,960



هكذا من الاصل

Jump in Brazilian coffee exports

MARKETS REPORT

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

CAYMAN ISLANDS (REGULATED)(**)

GUERNSEY (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

IRELAND (REGULATED)(**)

IRELAND (FSA RECOGNISED)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

CROSSWORD

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Old Mutual Intl Fd Mgrs (Isle of Man) Ltd

[illegible]

JERSEY
(FSA RECOGNISED)

AIB Fund Managers (CI) Ltd
PO Box 468 St Helier Jersey 01534 883000

[illegible]

AIB Govett (Channel Islands) Limited (1000)F
AIB Hse, Grenville St, St Helier, Jersey 01534 873229

[illegible]

Barclays International Funds
PO Box 152, St Helier, Jersey CI 01534 812700

[illegible]

Lombard Odier - Contd.

[illegible]

Mercury Asset Mngt Channel Islands Ltd.

[illegible]

Midland Bank Fund Managers (Jersey) Ltd

[illegible]

Minerals, Oils Res. Shrs. Fd. Inc.

[illegible]

Murray Johnstone (Jersey) Limited

[illegible]

LUXEMBOURG
(FSA RECOGNISED)

[illegible]

JERSEY
(REGULATED)(**)

[illegible]

Fidelity Funds (u)
Kansallis Hse, Place de L'Etoile, L-1021 Lux BP 2174
[illegible]

Major Market Funds

[illegible]

Lombard Odier Invest (u)
13 Southampton Place London WC1A 2AJ

[illegible]

Schroder International Selection Fd - Contd.

[illegible]

Scottish Equitable Intl Fund SICAV (u)
14 rue Aldringen, L-1118, Luxembourg 00 352 4799 2592

[illegible]

Sun Life Global Management Ltd (u)

[illegible]

LUXEMBOURG
(REGULATED)(**)

[illegible]

BNP - Contd.

[illegible]

HYPO Capital Mgmt Invest Luxembourg SA -

[illegible]

Scudder Global Opportunities Funds

[illegible]

OFFSHORE
INSURANCES

[illegible]

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Selling Price	Buying Price	+ or -	Yield Gross

Albany International Assurance Ltd - Contd.

Allied Dunbar International Assce Ltd (z)

43-51 Athol Street, Douglas, IoM 01624 661551

CMI Insurance Co Ltd

Clerical Medical Hse, Douglas I.O.M.

Old Mutual International (Guernsey) Ltd

PO Box 121, St. Peter Port Guernsey 01481 726726

AXA Investment Managers Paris

Crystal Fund Managers (Bermuda) Ltd

GM Fund Management (Bermuda) Ltd

The India Special Situations Fund Ltd

Momentum Asset Mgmt

Schroder Investment Mngt - Contd.

Dresdner RCM Global Investors - Contd.

Global Asset Management - Contd.

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

AEROSPACE & DEFENCE

AUTOMOBILES

BANKS

BEVERAGES

CHEMICALS

CONSTRUCTION & BUILDING MATERIALS

CONSTRUCTION & BUILDING MATERIALS - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQUIPMENT

ENGINEERING & MACHINERY

ENGINEERING & MACHINERY - Continued

FOOD & DRUG RETAILERS

FOOD PRODUCERS & PROCESSORS

FORESTRY & PAPER

GAS DISTRIBUTION

GENERAL RETAILERS

HEALTH

HOUSEHOLD GOODS & TEXTILES

HOUSEHOLD GOODS & TEXTILES - Continued

INFORMATION TECHNOLOGY HARDWARE

INSURANCE

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Continued

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

MINING - Continued

REAL ESTATE - Continued

SPECIALITY & OTHER FINANCE - Continued

TRANSPORT - Continued

AIM - Continued

WATER

AMERICANS

STEEL & OTHER METALS

LEISURE, ENTERTAINMENT & HOTELS

OIL & GAS

CANADIANS

SOUTH AFRICANS

REAL ESTATE - Continued

SUPPORT SERVICES

TRADED INDEX SECURITIES

AIM

Alternative Investment Market

LIFE ASSURANCE

PACKAGING

RESTAURANTS, PUBS & BREWERIES

MEDIA & PHOTOGRAPHY

PERSONAL CARE & HOUSEHOLD PRODUCTS

SOFTWARE & COMPUTER SERVICES

PHARMACEUTICALS

GUIDE TO LONDON SHARE SERVICE

TELECOMMUNICATIONS SERVICES

TOBACCO

REAL ESTATE

TRANSPORT

MINING

SPECIALITY & OTHER FINANCE

LONDON STOCK EXCHANGE

Footsie surges to intra-day and closing records

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The Compaq doomsters were sent running for cover yesterday as London stocks went into overdrive, with the FTSE 100 index hitting new records after celebrating Wall Street's startling performance overnight.

Contrary to expectations, the Dow Jones Industrial Average raced up to yet another record on Monday, as cash poured into the recently unfashionable cyclical stocks.

And Wall Street provided further encouragement yesterday with the Dow taking a determined run and topping 10,400. However, it fell away shortly after the London close.

There was no stopping the UK's leading stocks, represented by the FTSE 100 index, which hurtled ahead to hit record intra-day and closing levels. The market's second and third-ranking stocks also made solid, if unspectacular progress.

Already stimulated by Wall Street's overnight surge, UK investors were electrified by news that Warren Buffett, the revered US investment guru, had said his investment vehicle, Berkshire Hathaway, had been a big buyer of a leading UK stock and was on the verge of announcing a 3 per cent stake in the company.

There was intense speculation about Buffett's target stock, with many market favourites being put forward, including Marks and Spencer, Bass, Cadbury-Schweppes, Vodafone and Centrica, all of which have figured prominently as heavily traded stocks in recent months.

The FTSE 100 index ended at a record closing level of 6,513.1, up 71.9, after hitting a peak of 6,519.5 when Wall Street was at its best.

Marketmakers said there was a substantial supply of new money coming into the market. "The Peps [personal equity plan] cash is still running and the takeover stories are fuelling even more support from small investors. It feels as if the market will continue upwards but it is getting into bandit country: something will scalp us," said one dealer.

The two junior FTSE indices continued their long-running sequence of winning performances, the FTSE 250 advancing during the day to close at a session best 5,592.4, up 33.5.

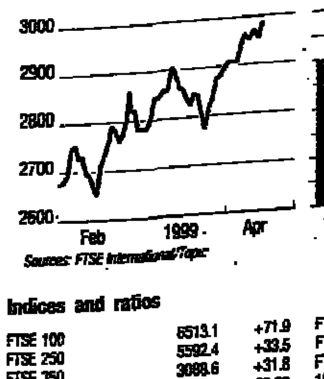
Gains in the second-liners were said to have been promoted by intense takeover speculation, especially in the engineering and other areas. However, there was a sharp reminder of the potential for disappointment among the bid stories as Laporte, the chemicals group, announced the failure of takeover talks.

The FTSE SmallCap, meanwhile, improved 10.7 to 2,428.6, with dealers noting the continuing strength in many high-tech stocks.

Individual stories played a big part in market sentiment; Barclays Bank retreated, stabilised and then surged ahead after the news of the new chief executive's enforced resignation for health reasons, which was said to have opened another opportunity for a predator. J. Menzies, the high street retailer, attracted keen speculative interest based on takeover rumours.

There was encouragement in the pick-up in market activity, which saw turnover reach 1.13bn shares, with non-FTSE 100 stocks accounting for 52 per cent.

FTSE All-Share Index



Sources: FTSE International/Topic

Indices and ratios

FTSE 100	6513.1	+71.9
FTSE 250	5592.4	+33.5
FTSE 350	3099.6	+31.8
FTSE All-Share	2986.26	+29.90
FTSE All-Share yield	2.25	2.28

FT 30	3991.2	+54.6
FTSE Non-Fins p/e	27.07	26.87
FTSE 100 Fut Jun	6548.0	+35.5
10 yr Gilt yield	4.59	4.57
Long gilt/equity yld ratio	2.05	2.01

Best performing sectors

1	Steel & Other Metals	+7.9
2	Food Producers & Processors	+2.6
3	Food & Drug Retailers	+2.5
4	Leisure: Entermt & Hotels	+2.2
5	Rests: Pubs & Breweries	+2.1

Worst performing sectors

1	Transport	-0.4
2	Beverages	-0.3
3	Diversified Industrials	-0.2
4	Distributors	-0.0
5	Insurance	+0.0

Buffett's boost to M&S

COMPANIES REPORT

By Peter John and Joel Kibazo

Marks and Spencer shares reacted to comments by Warren Buffett, the US investor, that he is pumping some of his $15bn cash pile into at least one British company.

While the "sage of Omaha" gave few specifics, he did indicate that he was only interested in substantial companies and hinted that he would declare an interest of more than 3 per cent. Buffett's substantial following in the US means that other investors would probably follow his lead.

M&S appears to fit some of the perceived criteria for Mr Buffett's Berkshire Hathaway, which likes big consumer brand names.

The retailer once dominated the British high street but suffered heavily after a profits warning earlier in the year.

The slump from a high of 654p over the past year to a low of 328p led to a surge of activity which was highlighted by a single day's turnover of more than 60m shares.

"It would not surprise me if Warren Buffett's comments applied to this stock," said Richard Crossley, technical analyst at Teather & Greenwood. M&S shares recovered 14 to 429¼p on turnover of 8.6m shares.

Buffett's comments induced something of a guessing game in the market yesterday and other companies mentioned as possible targets included **Cadbury Schweppes**, which gained 19¼ to 914¼p, and **Vodafone**, which rose 9 to £12.12.

Barclays bucked the latest boardroom bombshell as consolidation hopes swept through the banking sector.

The shares were down more than 50p in early trade as a number of brokers took the opportunity to turn more cautious after it was announced that Michael O'Neill, the new chief executive, was leaving after his first day because of a heart murmur.

However, the stock recovered sharply as the market decided that the exit provided a perfect opportunity to link up with **Royal Bank of Scotland**.

Barclays is understood to have rejected at least four potential merger partners during its search for a new chief executive. After the departure of Martin Taylor in November, the bank was besieged by investment bankers preaching the benefits of mergers with RBOS, **Bank of Scotland, Halifax** or **Prudential**. The return of that chat ensured Barclays reversed the weakness to close 46 up at £19.19.

Meanwhile, Royal Bank jumped 62 to £14.25 with WestLB Panmure reiterating a "buy" up to £15.00 a share. Bank of Scotland rose 11 to 910p and Halifax 17 to 864p. Prudential eased 2 to 844p.

Laporte dived 12 per cent as Monday's star became yesterday's tarnished trophy. The speciality chemicals group had shot up on weekend press stories, later confirmed by the company, that it was in talks about a possible offer.

The bidder was widely believed to be Clariant of Switzerland and a price tag of 800p a share was being suggested. But first thing yesterday morning Laporte said the talks had foundered.

The shares fell back 95 to 667½p, the worst performance among FTSE 250 stocks although some dealers suggested that the company might merely be haggling over prices and reports of the death of the deal might have been premature.

Other chemicals stocks, which had risen with earlier rumours, dropped back yesterday. **Croda International** fell 11 to 227¼p, **British Vita** 9 to 221½p and **Yule Catto** 7½ to 297½p.

Hopes of a soft landing for the UK economy combined with vague bid talk to drive several drinks-related stocks sharply ahead.

Bass talk goes flat

Early-morning rumours of a possible bid for drinks and hotels group **Bass** from **Granada Group**, the media and hotels group, were dismissed by sector specialists. One analyst said simply: "Although it is possible, somehow I can't see it, at least not at this stage."

Bass shares have underperformed the market by 10.2 per cent since the beginning of this year on a combination of worries consumer spending in the UK and lately on fears over the conflict in the Balkans hurting hotel bookings. Granada shares closed 50 up at £14.43.

Investors appeared untroubled by those issues yesterday which helped Bass jump 33 to 877½p.

Dealers said Monday's positive comments on **Scottish & Newcastle** from HSBC continued to boost the shares yesterday. They hardened 30½ to 978½p. An analyst said: "S&N has been calming peoples nerves about trading and the market feels more confident about the stock."

Food sector specialists could hardly contain their pleasure at bumper figures from food retailer Tesco that prompted a buying spree.

Buyers were falling over themselves to acquire the stock and turnover by the close had soared to a hefty 56m, by far the most actively traded stock in the FTSE 100 yesterday. The shares jumped 9¾ to 169¼p, the best Footsie performer yesterday.

Shares in **Canary Wharf**, the UK's third largest listed property group, gained 8 to 343½p on news that the stock is to be included in the Salomon Smith Barney property index from the end of April. Unconditional trading in the stock began two weeks ago.

Shares in Marks and Spencer supplier **Dewhirst Group** improved 5½ to 92p, amid talk that the company could soon be on the receiving end of a 120p a share bid.

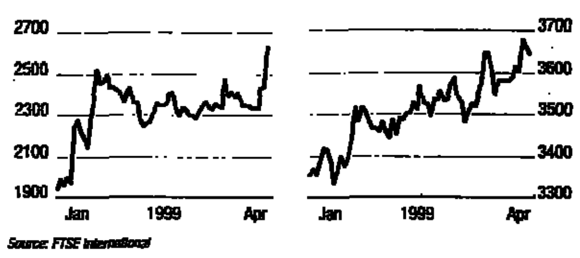
Reuters Group were lifted 36½ to £10.09½ with some dealers citing a strong performance from Multex, one of the group's "greenshoot" internet investments.

Strong growth in March retail sales revealed by the British Retail Consortium brought renewed confidence to the retail sector and helped boost stores-related stocks.

The strongest figures since April 1998 showed annual growth of 3.9 per cent in like-for-like sales in March.

Yesterday saw **Great Universal Stores** among the best Footsie performers. The shares appreciated 35½ to 780½p, while **Selfridges** improved 6 to 272½p. **Arcadia** jumped 12¼ to 275p but **Kingfisher** retreated on profit-taking, closing 10¼ off at 890½p. The European Commission yesterday cleared the group's acquisition of Wegert-Grosslabor, a German photographic laboratory that provides retail and wholesale photographic development services.

Best and worst performing FTSE sectors



Source: FTSE International

FT 30 INDEX

	Apr 13	Apr 12	Apr 9	Apr 8	Apr 7	Yr ago	*High	*Low
FT 30	3991.2	3936.6	3942.2	3893.9	3905.5	3846	4004.9	2790.6
Ord. div. yield	2.58	2.62	2.62	2.64	2.63	2.84	4.22	2.72
P/E ratio net	24.41	24.07	24.06	23.86	23.94	24.97	25.41	15.80
P/E ratio nil	24.35	24.00	23.99	23.80	23.88	24.75	25.19	15.71

FT 30 since compilation: high 4004.9 7/15/98; low 49.4 6/26/40. Base Date 1/7/35

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3936.6	3982.6	3973.8	3974.8	3971.3	3980.1	3980.9	3988.6	3992.7	3936.5

 *For 1999.

STOCK MARKET TRADING DATA

	Apr 13	Apr 12	Apr 9	Apr 8	Apr 7	Yr ago
SEAQ bargains	84,384	81,479	86,355	88,273	97,297	na
Equity turnover (£m)†	-	3485.4	4035.5	4870.8	5341.9	na
Equity bargains†	-	68,180	69,691	78,780	80,396	na
Shares traded (m)†	-	824.3	924.8	1026.7	985.2	na
Total market bargains‡	-	81,391	84,653	98,947	na	-
Total turnover (£m)‡	-	5080.0	5746.8	7102.8	na	-
Total shrs traded (m)‡	1129.6*	1132.7	1236.2	1289.7	na	-
Tradepoint turnover (£m)	39.3	21.4	24.9	21.2	32.5	23.1
Tradepoint shrs traded(m)	11.8	8.1	12.4	8.4	9.9	7.3

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	971	Total Highs	108	Total contracts	36,993
Total Falls	516	Total Lows	20	Calls	19,582
Same	1,365			Puts	17,411

Apr 13 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	6545.0	6568.0	+93.0	6573.0	6500.0	31285	202233
Sep	6575.0	6617.0	+93.0	6587.0	6575.0	1501	3572
Dec	6643.0	6677.0	+95.0	6643.0	6609.0	800	700

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	5592.0	+33.0	-	-	0	7360

FTSE 100 INDEX OPTION (LIFFE) (*6513) £10 per full index point Apr 13

	6350 C	6350 P	6400 C	6400 P	6450 C	6450 P	6500 C	6500 P	6550 C	6550 P	6600 C	6600 P	6650 C	6650 P	6700 C	6700 P
Apr	192	8	147½	1510	7	22	72½	38	45	61½	25	94	12½	137	5	187
May	303	103½	266	116½	232½	133½	202½	153½	173	174	148½	195½	122	224	100½	253½
Jun	373	158	339	174	308½	193½	278½	213½	248	233	218	253	192½	278½	170½	306
Jul	430½	204½	400½	223½	370½	243	341	262½	311½	282½	282	303	254½	327	233½	355
Dec†			665	413½			806	452			546½	482			487½	536½

Calls 2,953 Puts 1,951

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point Apr 13

	6375 C	6375 P	6425 C	6425 P	6475 C	6475 P	6525 C	6525 P	6575 C	6575 P	6625 C	6625 P	6675 C	6675 P	6725 C	6725 P
Apr	178	9½	126½	15½	87½	26½	58	45	32½	71½	17	106	8	146½	3	192
May	284½	107½	251	124	220	142½	190	162	162	184	137	206½	114	235½	93½	264½
Jun	354½	163½	322	180½	289	197	258½	216	229	235½	203	159½	177	282½	153½	309
Sep			486½	303			429	339			371½	379½			318	421½
Dec†			654½	411½			589	442½			371	481			479	525

Calls 6,474 Puts 6,130 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1999 High	1999 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	30.6	102	99½	BGI Endowment II	102		-	-	-	-
100	F.P.	-	95	95	Br Smlr Cos VCT	95		-	-	-	-
-	F.P.	-	12½	12½	Do Warrants	12½		-	-	-	-
-	F.P.	18.4	119½	95½	Cairngorm Restruct	111		-	-	-	-
-	F.P.	0.66	27	17½	Do Wrts	20	+½	-	-	-	-
§	F.P.	-	107½	105	Edinburgh Inc&Val	105½		-	-	-	-
§	F.P.	-	108	100½	Edinburgh Val ZDP	102½		-	-	-	-
-	F.P.	60.1	103½	99	Enhanced Zero Tst	100¼	+½	-	-	-	-
§	F.P.	21.6	108½	98½	Gartmore High Inc	108		K7.2	-	6.7	-
-	F.P.	10.7	108	101½	Do Zero Div Prf	106¼		-	-	-	-
-	F.P.	10.5	350	245	Luminar Warrants	255	-10	-	-	-	-
-	F.P.	82.1	78½	69	M Currie Cap Ret	77¼	+¼	-	-	-	-
-	F.P.	259.5	90½	79	M Currie Portfolio	81	+1¼	-	-	-	-
-	F.P.	103.0	108½	92½	Mercury Asset Allocator	106½		-	-	-	-
-	F.P.	286.1	252½	231	Morse	334		-	-	-	31.7
-	F.P.	5.39	110½	107½	†NBA Quantum	110		W-	-	-	11.2
§	F.P.	19.1	165	150	Sherry FitzGerald	150	-5	-	-	-	25.5
*	F.P.	11.9	157½	55½	†Sports Internet	135	+3½	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Apr 12	% chg on day	Apr 9	Year ago	Gross div yield %	Total return	52 week High	52 week Low
Gold Mines Index (28)	884.59	+2.93	859.39	1243.88	2.86	893.38	1361.57	701.58
Regional Indices								
Africa (9)	1002.36	+2.43	978.62	1262.98	4.14	1022.68	1488.94	765.63
Australasia (8)	1080.51	+2.05	1058.76	1493.43	2.85	1096.15	1600.53	815.93
Americas (11)	813.61	+3.38	787.01	1218.82	0.89	817.06	1317.41	647.89

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	£ Stg Apr 13	Day's chge%	Euro Index	£ Stg Apr 12	£ Stg Apr 9	Year ago	Actual yield%	Cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	6513.1	+1.1	7627.6	6441.2	6472.8	6104.1	2.11	1.66	28.41	54.72	2909.35
FTSE 250	5592.4	+0.6	6549.4	5558.9	5563.5	5541.8	2.82	1.85	19.15	49.78	2455.56
FTSE 250 ex Inv Co	5636.4	+0.6	6600.8	5604.9	5607.0	5579.5	2.95	1.91	17.80	51.52	2486.41
FTSE 350	3088.6	+1.0	3617.0	3056.8	3069.9	2921.0	2.22	1.70	26.48	26.18	2820.23
FTSE 350 ex Inv Co	3096.9	+1.0	3626.8	3065.0	3077.8	2926.3	2.23	1.71	26.25	26.41	1450.62
FTSE 350 Higher Yield	2968.1	+1.1	3476.0	2936.9	2957.1	2852.7	2.98	1.58	21.21	29.38	2330.98
FTSE 350 Lower Yield	3210.0	+1.0	3759.3	3177.7	3183.3	2998.3	1.47	1.94	35.13	22.41	2367.58
FTSE SmallCap	2428.62	+0.4	2844.19	2417.86	2423.30	2636.28	2.91	1.90	18.15	19.73	2163.33
FTSE SmallCap ex Inv Co	2393.07	+0.4	2802.56	2384.05	2388.12	2627.10	3.10	2.00	16.12	20.25	2156.57
FTSE All-Share	2986.26	+1.0	3497.26	2956.36	2968.79	2844.98	2.25	1.71	25.94	25.27	2787.59
FTSE All-Share ex Inv Co	2998.70	+1.0	3511.82	2968.54	2980.69	2852.88	2.26	1.72	25.62	25.56	1430.05
FTSE Fledgling	1319.36	+0.1	1545.12	1317.51	1320.30	1411.94	2.99	1.23	27.22	9.89	1497.09
FTSE Fledgling ex Inv Co	1327.66	....	1554.85	1327.27	1328.99	1428.39	3.43	1.26	23.10	10.78	1511.95
FTSE All-Small	1374.81	+0.4	1610.06	1369.59	1372.63	1487.94	2.92	1.75	19.51	10.95	1563.05
FTSE All-Small ex Inv Co	1380.54	+0.3	1616.77	1376.29	1378.53	1509.13	3.17	1.84	17.16	11.59	1581.28
FTSE AIM	889.8	+1.0	1042.1	881.4	873.3	1063.3	1.09	30.00†	0.12	2.50	817.92

FTSE Actuaries Industry Sectors

	£ Stg Apr 13	Day's chge%	Euro Index	£ Stg Apr 12	£ Stg Apr 9	Year ago	Actual yield%	Cover	P/E ratio	Xd adj. ytd	Total Return
RESOURCES(18)	4782.68	+0.8	5601.07	4746.89	4769.09	4664.16	2.62	0.62	60.83	26.99	2246.65
Mining(6)	3467.11	+1.1	4060.36	3429.54	3462.47	3110.81	3.43	1.65	16.66	69.75	1143.87
Oil & Gas(12)	5558.11	+0.7	6509.18	5518.37	5541.48	5224.37	2.54	0.48	80.00†	23.20	2680.17
BASIC INDUSTRIES(83)	2057.80	+1.1	2409.92	2035.20	2020.60	2207.98	3.90	1.78	14.38	26.32	1248.52
Chemicals(26)	2148.72	+0.8	2516.40	2131.27	2071.70	2888.83	4.27	1.26	18.65	48.77	1145.68
Construction & Bld Matls(60)	1864.89	+0.7	2184.00	1852.18	1858.05	1847.33	3.32	2.28	13.19	16.82	1049.99
Forestry & Paper(2)	5564.18	+1.9	6516.30	5462.97	5481.28	4864.16	5.54	1.74	10.37	26.99	2613.76
Steel & Other Metals(7)	2629.18	+7.9	3079.08	2436.00	2431.29	2981.78	7.17	1.13	12.40	22.19	1746.77
GENERAL INDUSTRIALS(78)	2066.47	+0.6	2420.07	2053.29	2066.49	2207.96	2.63	2.18	17.43	22.62	1251.38
Aerospace & Defence(8)	2528.40	+1.7	2961.05	2486.59	2480.76	2981.78	1.90	3.01	17.46	22.59	1680.09
Diversified Industrials(4)	1084.56	-0.2	1270.15	1086.65	1087.08	1437.99	5.36	0.81	23.13	15.44	898.48
Electronic & Elect Equip(21)	3161.92	+0.6	3702.97	3141.92	3173.54	2447.20	2.23	1.97	22.81	20.39	1784.94
Engineering & Machinery(45)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CYCLICAL CONSUMER GOODS(16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Automobiles(7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Household Goods & Textiles(9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NON-CYCLICAL CONS GOODS(94)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Beverages(8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Food Producers & Processors(23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Health(19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Packaging(10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Personal Care & Hse Prods(4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pharmaceuticals(21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tobacco(3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CYCLICAL SERVICES(227)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Distributors(29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
General Retailers(41)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Leisure, Entertmt & Hotels(43)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Media & Photography(43)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rests, Pubs & Breweries(22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Support Services(53)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Transport(29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NON-CYCLICAL SERVICES(22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Food & Drug Retailers(13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Telecommunication Services(9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UTILITIES(20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Electricity(7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gas Distribution(2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water(11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
INFORMATION TECHNOLOGY(38)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Information Tech Hardware(4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Software & Computer Services(33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NON FINANCIALS(652)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FINANCIALS(230)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks(12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Insurance(20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Life Assurance(6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Investment Companies(116)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Real Estate(43)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Speciality & Other Finance(31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hourly movements

	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	691	651½	+2½
AMVESCAP	2,581	670½	+38
ASDA Group	16,320	152	+2½
Abbey National	2,906	1300	+30
Alliance & Leicester	1,394	920½	

هكذا من الأصل

هكذا من الأصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Apr 13 / € = 13.7603 Sch)

BELGIUM/LUX (Apr 13 / € = 40.3399 Frs)

FINLAND (Apr 13 / € = 5.94573 Mka)

FRANCE (Apr 13 / € = 6.55957 Frs)

GERMANY (Apr 13 / € = 1.95583 Dm)

IRELAND (Apr 13 / € = 0.78756 Punt)

ITALY (Apr 13 / € = 1936.27 Lire)

NETHERLANDS (Apr 13 / € = 2.20371 Fls)

PORTUGAL (Apr 13 / € = 200.482 Esc)

SPAIN (Apr 13 / € = 166.386 Pts)

EUROPE (NON-EMU)

DENMARK (Apr 13 / Kr)

GREECE (Apr 13 / Drachmae)

NORWAY (Apr 13 / Kroner)

POLAND (Apr 13 / Zloty)

SWEDEN (Apr 13 / Kronor)

SWITZERLAND (Apr 13 / Frs)

TURKEY (Apr 13 / Tk Lira)

PACIFIC

JAPAN (Apr 13 / Yen)

HONG KONG (Apr 13 / HK$)

INDONESIA (Apr 13 / Rupiah)

MALAYSIA (Apr 13 / MYR)

NEW ZEALAND (Apr 13 / NZ $)

SINGAPORE (Apr 13 / S$)

AUSTRALIA (Apr 13 / Aust$)

SOUTH KOREA (Apr 13 / Won)

TAIWAN (Apr 13 / TW $)

THAILAND (Apr 12 / Baht)

AMERICAS

CANADA

TORONTO (Apr 13 / Can $)

4 pm close

MONTREAL (Apr 13 / Can $)

4 pm close

MEXICO (Apr 13 / Peso)

12.30pm

AFRICA

SOUTH AFRICA (Apr 13 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY APRIL 12 1999 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY APRIL 9 1999 US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	220.53	0.5	202.48	167.47	234.11	230.93	-0.4	3.27	219.51	202.68	168.02	234.54	231.93	220.53	163.86	215.20
Austria (21)	183.91	-0.6	168.86	139.66	172.27	172.27	-1.3	2.05	185.09	170.91	141.68	174.51	174.51	253.73	165.27	222.30
Belgium (22)	373.45	0.4	342.90	283.60	342.51	342.51	-0.3	1.96	372.10	343.58	284.83	343.49	343.48	446.95	319.89	320.83
Brazil (29)	149.14	0.6	136.94	113.26	158.33	468.76	0.6	4.49	148.23	136.87	113.46	158.38	465.88	269.34	89.32	264.13
Canada (113)	223.71	1.2	205.40	169.88	237.48	242.03	0.5	1.82	220.98	204.04	169.15	236.12	240.81	248.78	159.94	243.21
Denmark (34)	440.28	-0.7	404.25	334.34	487.39	410.37	-1.3	1.80	443.22	409.25	339.27	473.58	415.75	537.33	406.62	516.50
Finland (28)	699.38	-2.8	642.14	531.10	804.53	804.53	-3.4	1.45	719.62	664.46	550.84	833.20	833.20	719.62	338.49	390.98
France (74)	333.72	0.6	306.41	253.42	316.56	316.56	0.0	1.94	331.62	306.20	253.84	316.62	316.62	354.45	253.86	302.58
Germany (55)	264.34	1.3	242.71	200.74	247.79	247.79	0.6	1.60	260.96	240.95	199.75	246.21	246.21	325.61	226.35	284.65
Greece (36)	427.95	0.6	392.92	324.98	454.30	917.92	0.0	1.21	425.56	392.94	325.74	454.70	917.92	454.89	211.47	–
Hong Kong, China (66)	340.41	-1.3	312.55	258.50	361.38	338.85	-1.3	3.34	344.88	318.45	263.99	368.50	343.08	344.88	196.64	341.67
Indonesia (24)	48.12	0.4	44.18	36.54	51.08	257.91	0.2	1.13	47.94	44.26	36.70	51.22	257.33	64.52	19.04	60.43
Ireland (14)	542.68	0.7	498.27	412.10	555.19	555.19	0.1	1.85	538.71	497.42	412.36	554.71	554.71	605.85	396.15	517.05
Italy (53)	171.71	0.3	157.86	130.40	228.91	228.91	-0.3	1.51	171.15	158.03	131.01	229.65	229.65	192.64	128.63	168.41
Japan (443)	113.99	-1.4	104.66	86.56	121.00	86.56	-2.2	0.85	115.58	106.72	88.47	123.49	88.47	116.33	76.83	100.35
Mexico (29)	1588.32	1.8	1458.33	1206.15	1686.13	18601.72	1.5	1.54	1559.88	1440.31	1194.02	1666.71	16355.64	1733.73	787.15	1641.41
Netherlands (26)	492.30	0.5	452.07	373.85	456.49	456.49	-0.2	2.09	489.84	452.30	374.95	457.16	457.16	562.73	394.92	500.42
New Zealand (18)	64.56	-0.1	59.28	49.03	68.54	63.19	-1.6	3.80	64.63	59.67	49.47	69.05	64.21	76.03	45.68	74.52
Norway (37)	242.26	1.0	222.43	183.97	257.18	254.14	0.2	1.93	239.85	221.46	183.59	256.27	253.57	357.71	181.86	340.21
Philippines (22)	98.26	3.5	90.22	74.62	104.31	188.19	3.3	0.78	94.92	87.65	72.66	101.42	182.24	101.69	42.48	100.36
Portugal (18)	229.45	-1.5	210.67	174.24	290.27	290.27	-2.2	1.24	233.02	215.16	178.37	296.70	296.70	299.39	194.13	–
Singapore (40)	242.64	0.8	222.78	184.26	257.58	192.68	0.2	1.40	240.83	222.38	184.35	257.33	192.31	242.64	102.45	225.96
South Africa (34)	211.48	1.0	194.18	160.60	224.51	285.20	0.6	3.37	209.44	193.38	160.31	223.78	283.37	346.20	151.55	324.04
Spain (30)	378.94	0.0	347.93	287.76	440.35	440.35	-0.6	1.60	378.88	349.84	290.02	443.15	443.15	435.19	290.81	392.54
Sweden (41)	545.83	-1.0	501.16	414.49	579.44	668.18	-1.2	2.03	551.43	509.16	422.09	589.20	678.16	628.19	379.18	584.76
Switzerland (30)	399.77	0.1	367.06	303.58	424.39	366.29	-0.3	1.17	399.23	368.63	305.59	426.57	367.55	441.65	307.73	400.23
Thailand (26)	25.69	-0.4	23.59	19.51	27.27	37.84	-0.4	2.19	25.78	23.81	19.74	27.55	37.98	28.11	8.15	28.11
United Kingdom (201)	405.83	0.1	372.62	308.18	430.82	372.62	-0.4	2.27	405.32	374.25	310.26	433.08	374.25	405.83	307.96	399.24
USA (606)	559.68	0.7	513.88	425.02	594.15	559.68	0.7	1.19	555.69	513.10	425.36	593.75	555.69	559.68	390.12	453.81
Americas (777)	497.71	0.7	458.97	377.95	528.35	422.12	0.7	1.22	494.04	456.17	378.16	527.87	419.11	497.71	347.59	411.94
Europe (720)	363.48	0.3	333.73	276.02	385.98	348.29	-0.3	1.89	362.50	334.72	277.48	387.33	349.40	386.24	282.63	358.52
Eurobloc (341)	102.55	0.5	94.15	77.87	104.04	104.04	-0.2	1.78	102.05	94.23	78.12	104.21	104.21	113.92	81.53	–
Nordic (140)	529.08	-1.4	485.78	401.78	561.66	557.84	-1.8	1.60	536.65	495.52	410.78	573.41	568.29	555.97	360.04	509.11
Pacific Basin (714)	121.86	-1.1	111.97	92.60	128.45	95.28	-1.9	1.30	123.36	113.91	94.43	131.81	97.09	123.62	82.88	110.99
Euro-Pacific (1434)	222.10	-0.2	203.93	168.66	235.78	190.28	-0.8	1.71	222.49	205.44	170.31	237.73	191.82	222.54	166.00	214.17
North America (719)	536.94	0.7	493.00	407.74	570.00	537.75	0.7	1.21	533.01	492.16	408.00	569.52	533.93	536.94	374.92	440.39
Europe Ex. UK (519)	331.23	0.4	304.12	251.53	351.68	326.20	-0.2	1.68	330.08	304.78	252.66	352.69	327.02	366.32	260.93	327.39
Europe Ex. Eurobloc (379)	101.79	0.0	93.45	77.29	108.05	104.42	-0.5	2.02	101.79	93.93	77.87	108.69	104.92	103.93	77.40	–
Europe Ex. UK Ex. Eurobloc (178)	98.38	-0.1	90.33	74.71	104.44	98.90	-0.6	1.42	98.49	90.94	75.39	105.23	100.45	109.21	75.16	–
Pacific Ex. Japan (271)	201.03	-0.2	184.58	152.66	213.41	205.17	-0.7	3.09	201.49	186.05	154.23	215.28	206.65	206.73	128.26	206.73
World Ex. Eurobloc (1904)	115.18	0.3	105.75	87.46	122.27	114.70	0.1	1.38	114.80	106.00	87.88	122.67	114.58	115.18	83.09	–
World Ex. US (1639)	222.40	-0.1	204.20	168.89	236.09	196.04	-0.7	1.73	222.59	205.53	170.38	237.84	197.45	222.76	165.95	218.02
World Ex. UK (2044)	323.87	0.4	297.36	245.94	343.81	294.02	0.1	1.34	322.67	297.93	246.99	344.76	293.67	323.87	236.11	284.04
World Ex. Japan (1802)	439.15	0.6	403.21	333.48	466.19	434.91	0.3	1.57	436.71	403.24	334.28	466.82	433.47	439.15	320.59	390.08
The World Index (2245)	330.98	0.4	303.87	251.32	351.34	301.31	0.1	1.44	329.81	304.53	252.46	352.40	301.13	330.98	242.36	293.76

Emerging markets: IFC investable indices

Dollar terms

Apr 12 Market		Day's chg %	% Chg since 31/12/98
Latin America			
Argentina	825.68	-0.7	+3.5
Brazil	308.24	+0.4	+11.3
Chile	554.57	+0.2	+22.9
Colombia[2]	387.10	+6.0	-9.6
Mexico	658.14	+1.9	+36.7
Peru[3]	142.71	-0.6	+6.2
Venezuela[3]	368.40	-0.2	-19.2
East Asia			
China[4]	26.60	-0.1	+1.6
India[7]	72.09	+0.5	+12.3
Indonesia[7]	24.17		-0.2
Korea[5]	63.99		+20.7
Malaysia	86.79	+0.5	-2.0
Pakistan[8]	98.64	-8.4	+4.5
Philippines	135.55	+3.1	+10.1
Sri Lanka[10]	67.69	-0.4	-17.8
Taiwan, China[6]	134.68	+0.3	+18.3
Thailand	64.06	-0.3	+1.4
Europe			
Czech Rep	44.17	-1.6	-13.0
Greece	771.22	+0.8	+24.6
Hungary[11]	248.31	-2.2	-11.5
Poland[12]	545.95	-0.8	+4.5
Russia	33.60	+3.5	+43.3
Slovakia	33.71	+3.5	-22.7
Turkey[14]	209.94	-4.6	+43.5
Mideast/Africa			
Egypt	71.04		+10.2
Israel	122.58	-2.1	+19.9
Jordan	225.95	-1.5	+4.3
Morocco	149.65	-1.6	-10.7
S Africa[13]	145.02	+0.5	+15.8
Zimbabwe[15]	134.19	+1.7	+27.4
Regions			
Composite	215.71	+0.2	+15.5
Latin America	498.25	+0.8	+18.7
Asia	121.77	+0.3	+13.8
EMEA	129.63	-0.5	+13.4
Europe	169.53	-0.9	+13.2
Eastn Europe	59.87	-0.3	+3.0
ME & Africa	61.13	-0.1	+14.0
Comp + Malay	216.84	+0.2	+14.3
Asia + Malay	119.45	+0.3	+10.5

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1993; (15)Aug 2 1993; (16) July 2 1995.

Latest indices were unavailable for this edition.

4 pm close April 13

NEW YORK STOCK EXCHANGE PRICES

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Financial Times Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Apr 12	Apr 9	Apr 8	1999 High	1999 Low	Since compilation High	Since compilation Low
Industrials	10339.51	10173.84	10197.70	10339.51 (12/4)	9120.67 (22/1)	10339.50 (12/4/99)	41.22 (8/7/32)
Home Bonds	104.51	104.51	104.40	108.89 (13/1)	103.85 (1/4)	107.17 (8/12/98)	54.99 (1/10/81)
Transport	3335.89	3370.40	3329.40	3433.87 (18/3)	3063.80 (22/1)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	298.75	296.33	297.11	311.91 (4/1)	286.44 (12/2)	320.51 (6/10/98)	16.53 (8/7/32)

DJ Ind. Day's high 10384.46(10298.71) Low 10042.02 (10035.09) (Theoretical)
Day's high 10340.82(10212.13) Low 10096.69 (10084.47) (Actual)

Standard and Poors	Apr 12	Apr 9	Apr 8	1999 High	1999 Low	Since compilation High	Since compilation Low
Composite‡	1358.64	1348.34	1343.98	1358.64 (12/4)	1212.19 (14/1)	1358.64 (12/4/99)	4.40 (1/6/32)
Industrials♥	1632.01	1622.34	1616.93	1632.01 (12/4)	1461.72 (14/1)	1632.01 (12/4/99)	3.52 (30/6/32)
Financial♥	148.90	147.53	147.06	148.90 (12/4)	123.72 (9/2)	148.90 (12/4/99)	7.13 (4/9/74)
Others							
NYSE Comp.	633.13	626.59	624.26	633.13 (12/4)	576.62 (9/2)	633.13 (12/4/99)	4.64 (25/4/42)
Amex Comp	735.32	727.50	721.93	735.32 (12/4)	663.61 (4/1)	763.87 (22/4/98)	524.20 (16/7/96)
NASDAQ Cmp	2598.82	2593.05	2573.39	2598.82 (12/4)	2208.05 (4/1)	2598.82 (12/4/99)	54.87 (3/10/74)
Russell 2000	412.32	405.86	399.89	439.13 (11/1)	383.37 (23/3)	491.41 (21/4/98)	123.38 (7/12/93)

RATIOS

	Apr 9	Apr 2	Mar 26	Year ago
Dow Jones Ind. Div. Yield	1.56	1.61	1.61	1.56
	Apr 7	Mar 31	Mar 24	Year ago
S & P Ind. Div. yield	1.07	1.11	1.13	1.33
S & P Ind. P/E ratio	41.63	40.39	39.72	30.27

US DATA

MARKET ACTIVITY

● Volume (million)	Apr 12	Apr 9	Apr 8
NYSE	810.840	716.130	843.953
Amex	34.452	26.989	31.728
NASDAQ	1,164.0	1,098.9	1150.86

NYSE	Apr 12	Apr 9	Apr 8
Issues Traded	3,582	3,548	3,558
Rises	1,669	1,688	1,702
Falls	1,311	1,274	1,281
Unchanged	602	576	585
New Highs	121	98	99
New Lows	74	84	122

NYSE TRADING ACTIVITY — Volume : 810,840,000

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Compaq	104599600	24¼	-6⅞
AmOnLne	16,188,400	157⅞	-2¼
LucentTch	15,114,800	59¼	-4⅛
Disney	8,011,300	35¼	-⅞
PhMorr	7,604,000	35⅞	+1½
Citigrp	7,034,400	74	+⅛
Cendnt	6,367,700	18⅝	+1¼
Tycoln	5,910,500	78¼	+2¼
Schwab	5,876,600	139¾	+7¾
AT&T	5,860,800	87⅞	+2⅞

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Zapata	12¼	+2⅞	+31.3
Artra Grp	18⅞	+3⅝	+24.8
GaylrdEnt	28¾	+4⅞	+20.9
Corudisco	26⅞	+4⅛	+18.1
Oakwood Hm	14⅛	+2¼	+18.5
Downs			
Compaq	24¼	-6⅞	-22.2
PrizDiv	10⅞	-1⅛	-13.2
CKE	12⅞	-1⅞	-11.6

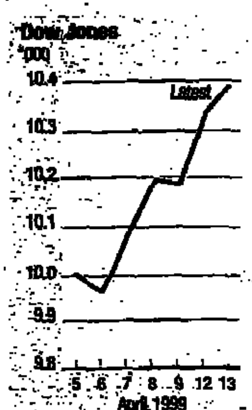
NASDAQ TRADING ACTIVITY — Volume :1,164,088,000

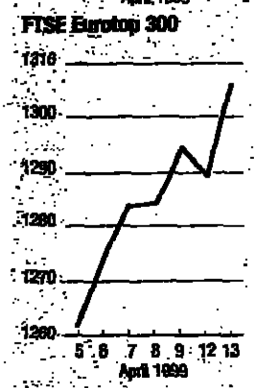
ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
DellCmp	42,288,400	41⅞	-1¾
Intel	41,485,800	81¼	-4¼
Oracle	22,327,000	25	-⅜
Micsft	18,507,600	93	-1¼
MCIWcm	15,530,100	93⅞	+3⅞
SunMic	12,005,600	67¼	-2⅛
CiscoSys	11,719,600	117¾	-⅛
Yahoo	9,916,800	202¾	-4⅛
SovBcp	9,262,500	15⅞	+2
e.spire Co	8,825,600	16¾	+1⅛

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
ITC DeltaC	33	+8¼	+32.3
VignlCp	105¾	+24	+29.8
Cal Micro	12⅛	+2⅞	+27.4
CovadCm	100⅛	+19	+23.3
AmeriTrade	142¼	+26⅞	+23.1
F&M Banc	37⅞	+6¼	+20.4
Downs			
Nvellus	58¼	-7⅞	-12.0
MetzlerGrp	25⅜	-2⅞	-10.8





JAPAN

	Apr 13	Apr 12	Apr 9	1999 High	1999 Low	Since compilation High	Since compilation Low
Nikkei 225	16715.18	16507.40	16855.89	16865.83	13232.74	38915.9	85.25

Day's high: 16855.67. Day's low: 16617.05.

TOKYO TRADING ACTIVITY — Volume : 692,620,000

ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
NKK	23,806,000	94	+3
KmGumi	12,285,000	129	+9
KonoSt	11,616,000	112	+1
SumRlt	10,977,000	542	+40
Nichole	9,892,000	139	-2
JGC	9,579,000	355	-9
Haseko	7,574,000	92	+5
NpShrp	7,014,000	352	+34
BTokM	6,861,000	1789	+8
ShwDen	6,656,000	155	+7

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
FudoCn	265	+47	+21.6
ToyoCn	149	+22	+17.3
Suruto	2750	+395	+16.8
DrtLd	7200	+850	+13.4
NpRoad	270	+30	+12.5
Daikyo	340	+32	+10.4
NpShrp	382	+34	+10.4
Downs			
TokOpt	143	-8	-5.3

FRANCE

	Apr 13	Apr 12	Apr 9	1999 High	1999 Low	Since compilation High	Since compilation Low
CAC 40	4367.41	4355.00	4363.14	4367.41	3958.72	4388.48	984.81

Day's high: 4410.27. Day's low: 4338.85.

PARIS TRADING ACTIVITY — Volume : 624,190,890

ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Usinor	8,748,573	14.56	+0.68
FTele	1,703,547	79.3	-0.8
RhonPA	1,417,791	43.44	+0.45
Renault	1,413,481	38.2	+0.6
TotalB	996,487	115.5	+1
Alctel	967,226	118.5	+2
MichlnB	894,910	45.61	+0.48
Axa	894,280	132.5	+2
Vivndi	805,027	230.5	-5.5
Schndr	802,761	52.8	-0.05

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Lapeyr	68.15	+4.15	+6.5
G'phys	36.6	+2.1	+6.1
Usinor	14.56	+0.66	+4.7
Tchnip	102.8	+4.6	+4.7
Downs			
SommrA	26	-1	-3.8
Bygues	222.8	-8.5	-3.7
Vivndi	230.5	-6.5	-2.7
CapGem	155	-4	-2.5

GERMANY

	Apr 13	Apr 12	Apr 9	1999 High	1999 Low	Since compilation High	Since compilation Low
DAX	5189.16	5159.16	5124.18	5443.82	4678.72	6171.43	931.18

Day's high: 5227.68. Day's low: 5174.38.

FRANKFURT TRADING ACTIVITY — Volume : 10,367,891

ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
BASF	502,068	38.95	+0.45
Cmmzbk	486,575	29.35	-0.2
Bayer	456,000	38.15	+0.35
ThyKrp	409,254	19.9	+1
Dr Bk	405,182	48.63	-0.42
DaimrCh	401,086	91.25	+2.65
Siemns	388,071	64.7	+1.8
DebNl	257,547	28.1	-1.45
Lufthn	205,510	21.4	-0.15
DresBk	197,756	37.2	-1.3

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
ThyKrp	19.9	+1	+5.3
B'sdorf	67.5	+2.9	+4.6
Adidas	79.5	+3.35	+4.4
HnkelPf	71.8	+2.9	+4.2
Downs			
DkWrk	78	-6	-7.1
HozBrnk	22.75	-1.5	-6.2
DebNl	28.1	-1.45	-4.9
BEWAG	18.8	-0.9	-4.6

UK

	Apr 13	Apr 12	Apr 9	1999 High	1999 Low	Since compilation High	Since compilation Low
FTSE 100	6513.1	6441.2	6472.8	6513.10	5770.20	6513.1	986.9

Day's high: 6518.5. Day's low: 6438.6.

LONDON TRADING ACTIVITY — Volume : 1,128,600,000

ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Tesco	37,172,110	166¼	+8¾
Lloyds TSB	19,876,380	1060	+39½
Brit Steel	18,823,760	138½	+10¼
Belgo	18,777,040	10	
Unilever	18,384,330	695	+24½
Shell	17,474,400	407¼	-1¾
Vodafone	16,414,410	1212	+9
ASDA	16,319,550	152	+2¾
Middlesex	16,137,450	8	+¼
BTR Siebe	15,335,310	290¾	-4

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
London Pcific	393½	+174	+79.3
Pilat Tech	47½	+12	+33.8
Frontline	300	+65	+27.7
PetraDiamnd	81	+16½	+25.6
Downs			
IES Grp	17	-2½	-12.8
Voss Net	137½	-20	-12.7
Laporte	667½	-95	-12.5
Superscape	130½	-13	-9.1

INDEX FUTURES

S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	1371.00	1359.00	-13.00	1372.40	1353.00	109,209	369,755
Sep	1382.50	1371.00	-	1385.50	1367.00	122	5,118
Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Jun	16700.0	16740.0	+180.0	16870.0	16640.0	28,308	212,056
Sep	16850.0	16760.0	+200.0	16770.0	16650.0	78	5,503

Open interest figures for previous day.

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Apr	4408.0	4353.5	-9.5	4423.0	4339.5	62,194	112,610
May	4341.0	4341.0	-10.0	4341.0	4338.0	337	474
DAX							
Jun	5237.5	5229.5	+59.5	5245.0	5177.5	49,498	312,293
Sep	5267.0	5283.5	+38.5	5275.0	5221.0	163	1,399

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Apr	763.00	765.00	+6.00	768.00	759.25	22,242	107,534
May	761.00	762.75	+6.75	765.00	757.00	4,896	6,229
EUREX							
Jun	7379.0	7315.0	+44.0	7379.0	7263.0	23,629	107,534
Sep	7370.0	7330.0	+86.0	7370.0	7308.0	110	3,869

WORLD MARKETS AT A GLANCE

Country	Index	Apr 13	Apr 12	Apr 9	1999 High	1999 Low	Yield	P/E
Argentina	General	17567.10	17704.89	17809.05	18103.18 6/1	14484.90 14/1	4.23	13.1
Australia	All Ordinaries	3078.3	3038.2	3060.0	3080.00 9/4	2804.80 14/1	2.8	24.2
	All Mining	558.2	552.1	557.7	613.50 12/1	552.10 12/4		
India	BSE Sens.	3454.52	3463.77	3441.19	3784.11 9/3	3122.04 4/1	1.88	14.5
	S & P CNX 500	689.01	694.32	694.27	788.25 31/3	620.19 4/1		
Indonesia	Jakarta Comp.	432.51	421.15	421.21	457.94 7/1	372.31 15/3	2.9	18.5
Portugal	BVL 30	4692.05	4687.32	4789.71	5258.85 6/1	4378.65 18/3	2.15	25.5
	PSI 20	10768.09	10776.78	11014.34	12120.85 6/1	10063.08 18/3		
Russia	RTS	69.14	68.58	66.66	98.02 17/3	54.49 28/1	na	na

Argentina: Rose in early trading on strong bank and industry stocks before turning negative along with region.
Australia: Chased Wall Street higher. Telecoms, banks and resources sector outpaced and golds jumped on back of firmer bullion.
India: Closed little changed as investors remained sidelined amid political uncertainty.
Indonesia: Foreign demand helped push shares broadly higher. Asia International surged after news of debt restructuring proposal.
Portugal: Closed slightly higher in narrow trading, with focus on blue chips EDP, Portugal Telecom, and BCP.
Russia: News that Kosovo conflict had spilled over into Albania sparked sell-off, wiping out most gains minutes before close.

THE NASDAQ-AMEX MARKET GROUP

4 pm close April 13

AMEX

4 pm close April 13

EASDAQ

STOCK MARKETS

Wall St allows bourses to brush off crises

WORLD OVERVIEW

The bull market in equities rumbled on yesterday, with the latest escalation of the hostilities in the Balkans causing only a brief moment of concern, *writes Philip Coggan.*

The record close of the Dow Jones Industrial Average on Monday, as US investors shrugged off the profits warning from Compaq Computer, ensured most markets got off to a strong start.

In Asia, the Hang Seng index gained 1.3 per cent to reach its highest level since October 1997 while the Nikkei 225 in Tokyo rose more than 200 points.

European markets followed the lead from the US and Asia, moving further ahead and only temporarily stumbling on news that Serb troops had entered Albania, indicating that the crisis might be widening.

The calm attitude of investors also allowed them to dismiss a statement from European Central Bank vice-president Christian Noyer. Noyer said that last week's cut in European interest rates was the last in the current cycle. Some analysts had hoped that rates might fall as low as 2 per cent.

In the European afternoon, Wall Street took up the baton once more, quickly carrying the Dow above 10,400 on the back of consumer price numbers indicating that inflationary pressures remain subdued.

Peter Oppenheimer, global strategist at HSBC, said the resilience of the market indicated there was something of a US liquidity squeeze.

"People have come to believe that interest rates will stay low and, even with profit warnings, there is nowhere else for the money to go but into the equity market," he said.

Regarding Kosovo, Oppenheimer said investors had learnt in recent years that, if they sold shares in response to global crises, markets would quickly bounce back.

"The assumption was that the Kosovo crisis would be over fairly quickly. But we are just starting to see some concern," he said. "If Nato ground troops go in, that will have knock-on effects in terms of government spending and that could prove a drag on markets."

Profit-taking steals wind from brokers

AMERICAS

A strong start on Wall Street had largely run out of steam by midday as positive early sentiment in the brokerage sector gave way to broader profit-taking, *writes John Labate.*

Financial shares remained strong but quickly lost their momentum. Helping to boost confidence in the sector were better-than-expected earnings results from Merrill Lynch and PaineWebber. Merrill's shares fell back by midday, off $2 7/16 at $97¾, while PaineWebber climbed more than 6 per cent to $46 7/16.

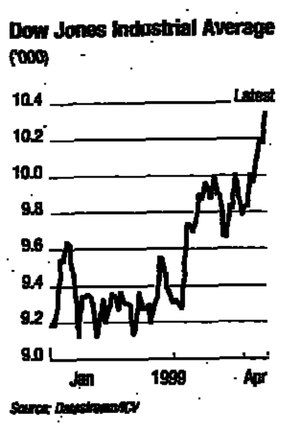
The biggest surprises came in the internet sector, as online brokerage stocks managed unusually strong gains after industry leader Charles Schwab was upgraded to a "buy" rating by Oppenheimer. Schwab was up more than 8 per cent or $11⅞ to $145⅛, while E*Trade surged 15 per cent to $110 13/16 and Ameritrade Holdings gained 12 per cent or $18 to $160¼.

The Dow Jones Industrial Average was 2.22 higher in early afternoon trading at 10,341.73. The broader Standard & Poor's 500 index fell 10.54 to 1,348.10.

The high-tech sensitive Nasdaq composite index was down 16.91 to 2,581.90. Small-company shares did better than most, sending the Russell 2000 index up 3.19 to 415.51.

US Treasury prices pulled back after the release of figures on consumer prices and retail sales and as traders prepared for corporate debt issues. By early afternoon the benchmark long bond was down ⅛ to 96 3/16, sending the yield up to 5.485 per cent.

Among Dow stocks, International Paper was more than 5 per cent higher to $49 after it reported quarterly results. Caterpillar was also a strong gainer, up $1 13/16 to $53 3/16. But drug company Merck was off $2⅝ at $82 7/16 after an analyst at Morgan Stanley gave the stock a "neutral" rating.



Computer producers were mostly lower, with Dell Computer off $1 5/16 to $40¾ and Compaq down $1/16 to $24 after Compaq's surprise profits warning last week.

Consumer company Avon Products was up $1⅜ to $53 1/16 after the company said its upcoming earnings would be above current estimates.

TORONTO was mixed at midsession as investors flocked to individual stocks and just as quickly shied away from them. The TSE-300 composite index was 31.64 higher at 6,970.52 in heavy volume of 71m shares.

Banks opened strongly but by midday, Toronto-Dominion had suffered a loss of 90 cents at C$85.55. The shares had posted impressive gains in recent sessions on the back of its discount brokerage.

Royal Bank of Canada also turned back from its best early levels to trade C$1.35 lower at C$76.05 and Canadian Imperial Bank of Commerce was 10 cents higher at C$42.10, off an early C$43.40.

MEXICO CITY was flat at midsession, as investors bet on lower interest rates at the government securities auction and remained optimistic about forthcoming first-quarter earnings reports. The IPC index was 3.30 higher at 5,306.58.

DaimlerChrysler boosts Dax

EUROPE

European equity markets were higher as Wall Street's early foray into uncharted territory, after Monday's record close, proved more compelling than concerns over an escalation of the Yugoslavian conflict.

The FTSE Eurobloc 100 index, which covers the leading companies in countries which have joined monetary union, closed 8.97 or 0.9 per cent higher at 1,066.87. The FTSE Eurotop 100 index, covering countries both inside and outside Emu, climbed 39.04 to 3,035.38, while the broader FTSE Eurotop 300 index was 16.52 higher at 1,306.15.

FRANKFURT closed near its high for the day as a Merrill Lynch upgrade for DaimlerChrysler helped the market shrug off reports that Serb forces had entered Albania. The Xetra Dax index closed with a rise of 57.67 at 5,225.22.

For full FTSE European indices see Euro Markets page.

DaimlerChrysler put on €3.19 to €91.95 as the US investment bank raised the stock to an intermediate-term buy. Earlier, the motor group dismissed a report it was keeping the door open on a deal to acquire a stake in Japanese truck and bus maker Nissan Diesel from Renault of France.

A €1.28 surge in ThyssenKrupp to €20.08 was attributed to a change in its weighting in the Dow Jones Euro Stoxx index.

Mannesmann, up €1.60 at €134 and Deutsche Telekom, €1.10 ahead at €41.70 attracted buyers ahead of this week's annual news conferences.

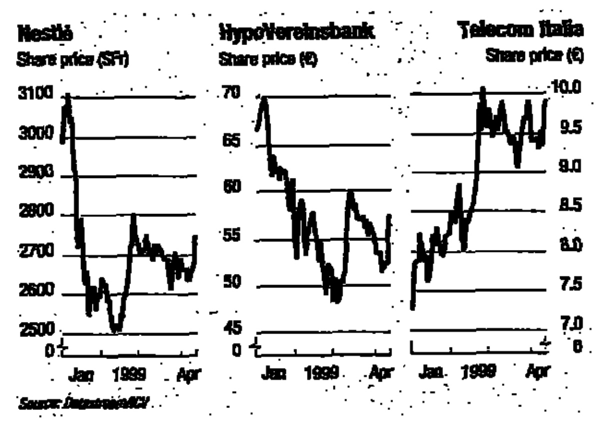
Analysts said the market would be looking for news of acquisition plans from the telecom rivals, although they noted that Telekom had declined yesterday to comment on speculation it could be a white knight bidder for Telecom Italia.

HypoVereinsbank put on €1.95 to €57.75, extending Monday's rebound from the weakness that had been evident since mid-March.

Adidas-Salomon, the sportswear and equipment maker, jumped €2.80 to €78.80 on the view that the worst of the company's news was now in the price and that the outlook for earnings had improved.

The shares had fallen 18 per cent since the start of the year.

PARIS closed little changed at the end of a yo-yo day. The market began stronger, reaching a life high within minutes of the opening before turning negative on the news from Albania.



The CAC-40 settled a mere 12.41 higher to 4,367.41. Vivendi shed €6.50 to €230.50 after announcing a €5.7bn capital increase and saying it would seek a separate listing for its utilities unit.

The news lifted Canal Plus €9.50 to €291.50 on speculation that the increase, ostensibly earmarked to fund the acquisition of US Filter Corp, could allow Vivendi to raise its stake in the pay-TV company.

Lagardère, the missiles and publishing group, continued to rise following its bid for radio broadcaster Europe 1 announced on Monday. It moved €1.39 ahead to €32.10.

ISTANBUL crashed 8.9 per cent as election worries were exacerbated by the news that Serb forces had crossed into Albania.

At one stage, the IMKB National-100 index tumbled 11.4 per cent to an intraday low of 3,875.54. It later recovered some of the losses to close 389.55 lower on the day at 3,986.02.

The market had lost 11.2 per cent over the previous three sessions following a 17 per cent, six-session rally up to last Wednesday's all-time closing high of 4,926.92.

Analysts noted that hopes of a simple two-party government emerging from Sunday's general election were fast evaporating. This was raising doubts about the outlook for financial reform.

ZURICH was kept afloat by a sharp rise in Nestlé after news that the company planned to divest parts of its frozen-foods business. The SMI index finished 13.3 higher at 7,366.2.

Nestlé jumped SFr84 to SFr2,746 after a high of SFr2,774, as the market surmised that the sale of parts of the frozen-foods business could net the company up to SFr2bn.

Some analysts thought that Nestlé might use the proceeds to fund a share buyback.

In the chemicals sector, Clariant added SFr5 to SFr730 as the group declined to comment on speculation that it had been in talks to acquire Britain's Laporte. The UK group said, however, that talks with a potential bidder had ended.

MADRID closed modestly higher as fears about a widening of the Kosovo conflict capped gains. The general index ended 6.40 or 0.7 per cent higher to 897.34.

Banks were among the main risers, with Santander up 66 cents to €21.03 and BCH adding 41 cents to €12.66 as the two companies prepared to merge. The combined entity, called BSCH, was expected to begin trading on Monday.

AMSTERDAM trimmed early gains and the AEX index closed 4.82 higher to 540.99.

Philips rose €1.95 to €74.65 after Cor Boonstra, chairman, said he was confident the company's bid for California-based chip maker VLSI would succeed.

Baan rose 65 cents or a hefty 9.1 per cent to €7.80, but recovered only part of a 24.6 per cent plunge over that last six days.

MILAN finished close to its best levels, with the Mibtel index up 202 at 25,126.

San Paulo picked up 2.6 per cent at €15 as the executive committee gathered to examine its stake in Ina, seen as a potential takeover target. Ina, which has risen strongly in recent weeks added 1.7 per cent to €2.78.

HELSINKI ignored developments in Kosovo and rose to a new record close, breaching the 7,000 mark for the first time to settle at 7,003.24 on the Hex index, up 182.90 or 2.7 per cent.

Mobile phone company Sonera rose €1.34 or a sharp 8.6 per cent to €16.91 on news that it would drop two outdated mobile communications services.

DUBLIN featured an 11.6 per cent surge in Jefferson Smurfit after the packaging group unveiled higher-than-expected annual results. Smurfit jumped 22 cents to €2.12 as the group said that North America should lead a world recovery in containerboard pricing.

The ISEQ index put on 86.6 to 5,437.91.

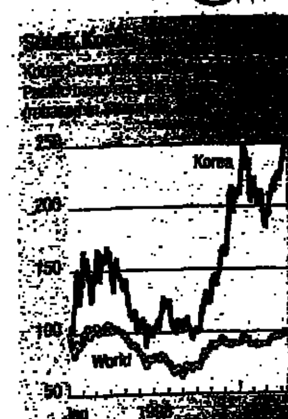
Written and edited by Michael Morgan, Bertrand Benoit, Paul Gregan and Mark Herlihy

EMERGING MARKET FOCUS

Low rates send Seoul to a high

The Seoul stock market continues to roar ahead. The world's best performing bourse in 1998, it is up 22 per cent this year. Yesterday it neared 700 points as the composite index closed at 689.80, an 18-month high.

But the market's strength is not surprising given that interest rates have fallen to a 15-year low. A relaxed monetary policy has resulted in abundant liquidity to help rescue the economy from a severe slump last year.



Investment trust companies and unit trusts are suddenly stuffed with cash, with customer deposits exceeding Won6,000bn as investors shift their funds to high-yielding stocks.

The surge of funds has enabled the stock market to absorb a 53 per cent jump in rights issues this year as Korea's big conglomerates, or *chaebol*, try to reduce their debt/equity ratio to a government target of 200 per cent by the end of 1999.

Foreign investors have also contributed to the bull run. With global liquidity still healthy and investors looking for recovery plays in emerging markets, enthusiasm for Korea has increased as the nation's reform programme has gained the reputation for being the most aggressive among east Asia's battered economies.

Gross domestic product is expected to grow at least 2 per cent this autumn after shrinking 5.8 per cent in 1998. A stable currency has eased fears about foreign exchange losses.

But analysts are still worried that fundamentals do not justify the market rally. One source of concern is that corporate restructuring is patchy. Some of the leading *chaebol*, including the Samsung, LG and SK groups, have reduced their sizeable debts, which bodes well for such blue-chip stocks as Samsung Electronics and SK Telecom.

But Hyundai and Daewoo, the two biggest *chaebol* in terms of assets, have piled up more debt in the past year, raising fears about their financial stability if the economy stumbles again.

Labour unrest could also hurt investor sentiment. An agreement between the trade unions and industrial groups appears to unravelling, with workers threatening a general strike later this month. Labour militancy is likely to grow if unemployment exceeds 9 per cent as debt-heavy companies sack workers as they restructure.

A longer-term threat to the market is the possibility Korea is heading for a "double-dip" recession. The current economy recovery is mainly due to inventory restocking and increased money supply. But growth in private consumption remains sluggish because of fears over unemployment, while industrial investment is weak as companies grapple with overcapacity.

A feared slowdown in global demand and deflationary pressure on Korea's main export products could tip the economy back into recession next year. This would further erode corporate profitability when the introduction of tougher accounting standards is already expected to weaken 1999 results.

John Burton

Paper sends Jo'burg higher

SOUTH AFRICA

Johannesburg saw a 17.5 per cent surge in pulp and paper company Sappi, as investors bet on a turnaround in commodity cycles on perceptions that demand in Asia was set for a revival.

The Sappi shares jumped R5.50 to R37.

The overall index rose 103.9 to 6,602.1 and industrials advanced 90.9 to 7,527.7. Gold recovered from intraday losses to finish 21.9 up at 2,941.1 as the bullion price climbed in London.

Funds take lead in Tokyo rise

ASIA PACIFIC

Wall Street's overnight surge reversed the mood in TOKYO, taking share prices higher across the board, *writes Michiyo Nakamoto.*

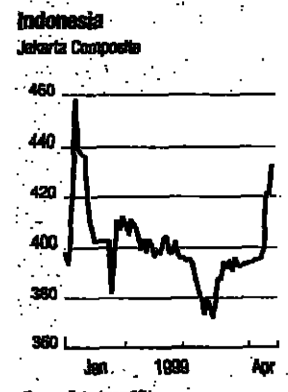
After a cautious day on Monday, brought about by Compaq Computer's profits warning last week, investors returned to the market with renewed enthusiasm. Pension funds and other institutional investors took the lead.

The Nikkei average rose 207.76 to close at 16,715.16 after fluctuating between a high of 16,855.67 and an opening low of 16,617.05. Advancing issues came to 821 against 372 that declined and 129 that were unchanged.

Volume failed to pick up significantly, rising to 692m from Monday's 604m.

The broad-based Topix index gained 15.54 to 1,331.74 and the Nikkei 300 rose 3.05 to 265.82.

Sectors that have been unpopular attracted buying on low prices. These included construction and steel companies. Among the top 10 most heavily traded issues, Kobe Steel gained Y1 to Y112, after a report that it would combine its joint venture steelmaking operations in the US with those of the Blackstone group. NKK, the steel manufacturer and the day's volume leader, rose Y3 to Y94 and Kumagai Gumi, a construction firm which announced a profits warning, gained Y9 to Y129.



The real estate sector was the best performer. Investors expect the Bank of Japan's policy, revealed yesterday, to maintain interest rates close to zero will boost real estate investment.

Mitsui Fudosan increased Y40 to Y1,133 and Mitsubishi Estate rose Y47 to Y1,319.

SYDNEY hit a new life-high after Friday's record close, inspired by positive economic forecast and overnight gains on Wall Street. The All Ordinaries index closed 38.1 or 1.3 per cent higher to 3,076.3.

Leading banks took a fair share of the rise, with National Australia up 49 cents to A$29.29 while ANZ rose 29 cents to A$12.16.

JAKARTA closed 2.7 per cent higher, buoyed by gains in neighbouring markets and sustained buying by foreign investors. The composite index moved 11.37 ahead to 432.52, despite a sell-off in selected blue chips.

Heavily weighted telecommunications issue Telkom added Rp75 to Rp3,350, while Indosat gained Rp675 to Rp13,300. Tin miner Timah succumbed to profit-taking, conceding Rp25 to Rp6,925.

TAIPEI benefited from rising oil prices, upbeat March sales reports, and Wall Street's record close. The weighted index settled 95.45 or 1.3 per cent higher, reaching a four-month high at 7,337.85.

There was strength in the technology sector, with computer manufacturer Acer adding T$1 to T$52.50.

HONG KONG tested a near 18-month high before closing with firm gains, encouraged by the record close on Wall Street and stronger regional markets.

The Hang Seng index finished 154.95 or 1.3 per cent higher at 11,899.69, off an intra-day high of 11,956.43. Turnover dipped to HK$5.9bn.

Among blue chips, HSBC rose HK$4 to HK$270, Hang Seng Bank advanced HK$1.50 to HK$75.50 and Hutchison Whampoa put on 75 cents to HK$66.75.

KUALA LUMPUR ended at a two-month high in moderately heavy volume as foreign funds weighed in and the composite index posted a rise of 13.22 or 2.3 per cent at 584.63.

Banking stocks led the rally on expectations of an improving economy and falling interest rates. Malaysian brokerage K&N Kenanga upgraded the sector, saying that banks with relatively poor asset quality would benefit more from lower interest rates than banks whose balance sheets were already strong.

KARACHI erased early losses and the KSE-100 index moved back above the 1,000 level, fuelled by bargain-hunting and technical factors. The index closed 8.62 higher at 1,001.90.

Traders said buyers had returned to the market looking for bargains after the index's sharp fall on Monday.

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